Market and Development Feasibility Analysis of the Broadway Neighborhood Business District

Prepared for:

THE CITY OF SEATTLE
OFFICE OF ECONOMIC DEVELOPMENT

Friday, December 05, 2003

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I. PURPOSE

The City of Seattle, Office of Economic Development (OED) is seeking an analysis of the Broadway Neighborhood Business District that addresses the following primary goals:

- To assess current and anticipated market conditions for the area;
- To determine the financial feasibility for redevelopment of property in the study area; and
- To determine which uses will best serve the community in accordance with the goals set out in the neighborhood plan.

This study should be used to guide policy as well as a tool to facilitate and encourage private investment in the district. The study will be part of a larger effort to revitalize the Broadway neighborhood business district.

The City, and other stakeholders, should use the results of the study to prioritize redevelopment strategies and timing of potential redevelopment projects.

II. METHODOLOGY

Our approach to this assignment included the following major elements:

- An evaluation of the current and anticipated market for potential land uses in the study area;
- Community Outreach with vested and interested parties;
- Selection of prospective sites for specific evaluation;
- Financial viability analysis of specific sites; and
- A community cost/benefit assessment.

GARDNER JOHNSON prepared this analysis using numerous City, State and Federal data sets. Population growth estimates for the subject area were based on the net number of permits issued, current housing stock make-up, historic growth in the area, and household sizes. These estimates were then compared and verified with Claritas' data (a national demographic data service) to check for reason.

Employment estimates were based on Puget Sound Regional Council FAZ data, business activity within the area, and parcel data provided by the City. Income data was provided by Claritas with real-dollar adjustments being made with the Western Urban Consumers CPI provided by the Bureau of Labor Statistics.

Retail and Office Statistics were provided by CoStar. Rental Data was obtained from Messrs. Dupre & Scott

III. Acknowledgements

The above tasks would not have been possible without the valuable assistance of the Market Study Steering Committee to whom we offer our thanks.

We would also like to thank David Dillman, Executive Director of the Seattle MID; Chip Ragen, Ron Amundson; Robert Burkheimer; Sy Iffert; Allan Jones; Colin Radford; Joe Rogel; Randy Wiger; Ann Donovan; Stephen Norman; Michael Wells; Chuck Weinstock; Charlie Hamilton; Nancy Yamamoto; Jennifer Davis Hayes; Roque Deherrera; Jory Philips; Rick Hooper; Eric Pravitz and Jill Nishi.

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IV. Executive Summary

Gardner Johnson was retained by the City of Seattle and the Downtown Seattle Association to undertake a market and development financial feasibility analysis of the Broadway Business District. Key findings of this analysis are as follows:

A. Economic Highlights

- Over the last twenty years, the population in the Seattle has increased steadily from an estimated population of approximately 494,000 in 1980 to approximately 571,000 people in 2003.

- The single most important reason for slower population growth in Seattle in comparison to growth experienced in the wider metropolitan area is the lack of readily developable land in the city.

- The Broadway Business District is home to approximately 908 permanent residents and 607 households.

- Over the last 12 years, the area has seen its population increase by approximately 1.3% annually from 782 in 1990.

- Over the next five years, Claritas estimates that the Broadway District will grow by approximately 1% annually, or a total of 47 residents. Again, this is a consequence of the difficulties of land assemblage, development of sites as well as the restrictive nature of zoning. (This topic will be discussed in greater detail later in this text.)

- When comparing the larger Capitol Hill market with the Broadway District, it's obvious that the Capitol Hill market is more affluent than Broadway. According to Claritas, the median household income in the Broadway District is approximately 25% below that of Capitol Hill.

B. Residential Real Estate Highlights

- The sale of attached homes in the Capitol Hill market has mirrored that seen in the greater, Central Seattle market. During the second quarter of 2003, approximately 118 homes were sold in the market, only 11 of which were new units.

- Prices of new and resale attached homes in the Capitol Hill market have remained relatively flat over the last couple of years. Currently, the average condominium in the market sells for around $220,000, with new units going for a more substantial $313,000. This is not too surprising as there are still relatively few attached products in the area. (The average quarterly sales velocity was only 76 unit sales.)

- The results of this analysis (detailed in Exhibit 9) indicate that there will be demand for approximately 306 new, detached homes and 732 new, attached homes in the central Seattle market over the next year.

- We do not anticipate that the marketplace will generate enough product to meet net new demand.

- Over the next five years, we expect the sale of homes within the Capitol Hill market to remain strong. However, the number of new homes sold will very greatly depend on the number constructed. Demand should outstrip supply.

C. Rental Housing

- Currently, vacancy in the Capitol Hill market sits at approximately 8.2%, with the average apartment leasing for nearly $1,120 or $1.43 per square foot for those units built after 1994.

- Rents average $829 and are down somewhat from their high at the end of September 2002; however, in general they have demonstrated a strong upward trend over the last several years.

- Future conditions in the Capitol Hill rental apartment market are highly dependent on the level of construction activity in the market. Currently, the area should be considered built out.

D. Retail Conditions

- On average, the area sees a vacancy of approximately 12.1%, which is noticeably higher than that reported for the greater Central Seattle area.

- Much of the vacancy comes in the small format properties, which seems to indicate the inability of small businesses to maintain sales.

- We attribute this to the lack of relevant retail outlets in the area. Demographic shifts have led the area to a preponderance of specific types of retail that do not serve the greater Capitol Hill area residents, but merely those in the immediate vicinity.[1]

E. OFFICE MARKET CONDITIONS

- Across the Capitol Hill market, there was approximately 83,000 square feet of space vacancy, representing a market vacancy of around 11.3%.

- Currently, Commercial Space Online estimates that there is more than 1.7 million square feet under construction and 4.1 million square feet in various planning stages in the central Seattle market.

- Given this backdrop, new office development in the Broadway market should be planned with caution and should only be undertaken after strong commitments by tenants are made.

- Given that, we would expect new space in the market could go for as high as $22 per square foot, triple-net; however, a more reasonable assumption would be $16-$20 per square foot.

F. FINANCIAL PRO FORMA ANALYSIS

- The pro forma analyses attempt to model potential developments at the four identified sites from the perspective of a developer. A number of assumptions have been made as part of this analysis, which may vary substantively from those used by an individual developer. As a result, conclusions reached by a developer with respect to the underlying value of the property or viability of development may vary widely.

- The analysis indicates that the most viable residential development form in the current market would likely be condominiums, which have a consistently more favorable yield. Rental apartment yields are relatively low, with the provision of relatively costly structured parking a key reason. Speculative office and retail space appear to work well from a financial perspective, assuming low parking ratios and occupancy rates of 90% or better. It should be noted that the assumed occupancy is significantly higher than current market conditions.

- There are three primary areas in which current zoning restrictions represent a significant impediment to realizing development/redevelopment in the district:

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[1] See Exhibit 22

- Split Zoning - A number of sites in the area have split zoning, with substantially more restrictive low-density residential zoning on the portions of the site not facing Broadway. The setback and open space requirements in these codes are not consistent with achieving urban mixed-use densities. These requirements limit achievable density on these parcels substantially, with the low-density residential codes precluding the development forms necessary to deliver an urban density mixed-use project.
- Parking Requirements – The current parking requirements in place in the district, which require 1.1 to 1.25 spaces per unit, can substantively impact viability of many development forms. We feel that these ratios are likely to overstate project-induced demand in many cases. Urban density parking is expected to be provided through relatively expensive structured parking, and reduces the yield on many development types, particularly if the requirements are excessive.
- Height Restrictions – The current height restrictions in the NC3-40 zone allow for four story structures under what we would expect are the most viable development forms. The assumed densities associated with the current zoning do not yield an adequate return in a number of the demonstration sites modeled in our analysis, and consideration should be given to allowing for higher density development forms.
- The Lowrise 3 designation is not consistent with dense urban development forms.
- Open Space Requirements – The open space requirements have a dramatic impact on the floor area that can be achieved within the structure. This requirement is particularly difficult to meet on small parcels. While the Broadway Station Area Overlay offers significant relief from these requirements in the study area, additional effort should be made to reevaluate these types of requirements and alternative means to address them.

- Residential parking requirements also represent a key obstacle to providing rental apartment units in a mixed-use structure, as the cost of structured parking is difficult to recover for this type of use. In light of the urban location and outstanding transit access in the area, lower parking ratios are probably quite marketable in this district. Alternative residential uses, such as senior-oriented units and special needs housing, can require relatively low parking ratios.

- The split zoning codes represent a significant challenge to developing mixed-use projects on the eastern edge of Broadway. The lowrise residential zoning code to the east largely precludes development at workable densities, limiting the scale of developable parcels to the NC3-40 zoned parcels facing Broadway. The highest and best use of these sites in support of new mixed-use development is likely to be low-intensity surface parking, as seen on the Bank of America parcel. The setback requirements and density restrictions limit mixed-use solutions in the residential zones.

- The 40' height limitation, even with the 4' to 7' discretionary adjustment, potentially represents a limiting factor to achieving greater intensity of development. While the height limit may be desirable from an urban design perspective, flexibility may be desirable for upper floors with appropriate setbacks. The most viable of mixed-use development under the achievable lease rate structure in the Broadway district is likely to be wood frame construction over a concrete podium. This type of construction will allow for a total of five stories of wood frame construction over a concrete podium. The development scenarios evaluated assumed only four total stories in the NC3-40 zone due to the height restrictions.

- A number of the prototypical developments evaluated from a financial perspective demonstrated a significant viability gap. This indicates that, under our assumptions, the development would not yield a return adequate for a developer to justify the associated risk. When evaluated assuming a greater height limit, many of these projects became viable under our assumptions. Our analysis indicates that a shift to 65' height limits along Broadway would substantively increase the viability of mixed-use redevelopment in the district. In addition, allowing higher densities and/or lower parking ratios can allow developers to increase the affordability of units.

- The scope of this assignment limited the permutations that were modeled, and we would expect that developers would propose programs within the study area that may introduce product types not evaluated in this analysis. The pro formas have been written to allow flexibility to evaluate a number of permutations without major structural revision.

- Mixed-use development, particularly redevelopment, is unusually challenging. There are a number of areas in which the City of Seattle can actively encourage and enhance the viability of this type of development. These include the following:

    - Financial incentives – Jurisdictions or agencies identifying mixed-used development/ redevelopment have provided a number of financial incentives to encourage this type of development. These have included waivers of fees as well as property tax abatements.

    - Flexibility – Provide flexibility in the zoning codes, based more on performance standards than strict adherence to code provisions.

    - Consistent zoning – The split nature of the zoning on many of the blocks facing Broadway should be re-evaluated. If the code cannot be made consistent, some level of certainty with respect to what will be allowed on sites with split zoning designations should be easily available.

G. COST IMPACT ANALYSIS

- New households residing in potential mixed-use development are estimated to create anywhere from $2.5 million at Site One to $7.7 million at Site Four in direct, indirect and induced (ripple effect) impacts by their annual spending patterns after taxes and accounting for retail leakage to outside the central city area.[2]

    - Mixed-use resident spending rarely supports the scale of the retail space component in mixed-use projects. In the selected Broadway parcels, residential development on-site can be expected to support no more than 29% of annual mixed-use retail commerce necessary for full retail space absorption, on average.

    - Mixed-use office development is also typically of greater scope than can be supported by potential employment residing in related residential development. Potential office development at selected Broadway parcels is significantly greater than potential residential development, of which only a share of residents would both participate in the labor force and likely be employed on-site.

    - Reliance on retail spending and office employment by households not residing in the Broadway market area can create greater strain on parking capacity. Other jurisdictions, particularly in Washington, have successfully utilized parking subsidy to spur mixed-use redevelopment and address existing parking capacity issues in their downtown areas.

    - Property value growth and assessed tax base, particularly in a dense central city environment such as Seattle, can successfully be achieved by redevelopment activity. Realization of property tax revenues, however, may vary depending upon use of property tax abatement programs to spur development.

    - Other impacts associated with mixed-use redevelopment include achievement of growth management goals, limited infrastructure capacity stress if not enhancement of use in existing investment, enhanced safety perception and public safety service cost reduction, and greater support in other existing central city investment such as cultural, recreation and entertainment venues.

    - Development within the area is certain to assist with the negative impact associated with the existing transient population. It is our opinion that, as has indeed happened in other markets, that additional activity in the retail, general commercial and residential markets increases the attractiveness of neighborhood to potential investor.

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2 Direct impacts reflect direct expenditures by businesses or residents, indirect impacts reflect the increase in activity from suppliers and vendors, while induced reflects the increased household spending activity associated with the general increase in activity.

- Redevelopment can act as a catalyst for neighborhood revitalization, though it can only be effective in tandem with active law enforcement and redevelopment policy efforts such as the encouragement of increased development. In practice, mixed-use redevelopment attracts new residents and businesses that will demand higher levels of law enforcement presence than previously. The result is an improved neighborhood via waning criminal element and growing presence of local households. It must be noted, however, that private redevelopment efforts alone do not solve crime problems. Coordination of law enforcement with grass-roots neighborhood citizens' and business organizations can be successful; redevelopment simply strengthens the neighborhood with which City police must be a partner. Prior to more aggressive redevelopment policy efforts in San Francisco's Market Street district, private redevelopment efforts often stalled while the City's growing affordability crises only concentrated crime and vagrancy in the Market Street corridor.

- The nature and extent of an areas improvement can be influenced by City redevelopment policy, such as a commitment to a mix of redeveloped housing affordability levels. Portland and San Francisco have set rigid affordability criteria for redevelopment projects that benefit from tax abatements, subsidy or other assistance. Portland has had success with some mixed-use projects in its Pearl District urban renewal district, providing infrastructure assistance and property tax abatements for housing units designated as "affordable" to middle- and lower-income households. Two years ago, San Francisco designated Market Street as a redevelopment zone with a commitment to a mix of housing affordability in order to avoid complete gentrification of the corridor. It has since not only reduced crime in the area, but upon rumors of the new redevelopment zone designation, investors quickly snatched up undervalued and underutilized properties to take advantage of eventual tax abatement.

V. Conclusions & Recommendations

Throughout this analysis, input was requested, and offered, from the community surrounding the Broadway business district. Input was gained from meetings held on the 10th July and 14th August, as well as team members attending other functions relating to the Capitol Hill area that included various e-mail forums as well as conversations with community leaders.

Unlike so many other jurisdictions, we found the Capitol Hill area to draw very high attendance to public meetings. This is particularly refreshing and shows the commitment of the residents to their area.

Without doubt, there are issues on Capitol Hill that mainly revolve around crime and the overall delinquency of some fringe elements. In addition, the need to keep affordable housing in the area is of great interest to many.

Our analysis has revealed numerous issues as well as reasons for the lack of development and overall vitality in the area. We will go into these in greater detail later but one feels that the neighborhood needs direction and a place to start. As such, we are pleased to make the following recommendations:

1. *The Residential Environment* – as we have seen in so many locations in the country, there has been a demographic shift and greater propensity to live in an urban environment. This has been perpetuated by not only an aging population, but also issues with traffic congestion that are forcing people closer to where they work.

   Gentrification of an area represents a vast challenge as new residential development is expensive and, therefore, higher priced than surrounding projects. Within the goals of the Capitol Hill Neighborhood Plan, we note the desire to maintain affordable rental housing stock as well as to increase the opportunities for home ownership. This in itself creates a challenge as land prices/ development costs are particularly high that causes an issue in respect to increased home ownership irrespective of today's' interest rate environment.

   As such, we feel that the best way in which to encourage development that remains within the reach of existing residents will be in apartment development through bonus density to projects that have an affordable component.

   For sale condominium product on Capitol Hill will be priced at a discount to other areas of the City such as Belltown or Queen Anne, however it is higher than other neighborhoods in the City. It is important to encourage additional residential for-sale development as such development forms have an intrinsic impact on the surrounding neighborhood in terms of retail as well as the beneficial effects of additional presence in the form of pedestrian activity and overall ambiance that assist in discouraging illegal activity.

Our financial analysis indicates that condominium development currently represents the most viable residential development form in the district. Encouraging this type of development benefits the district in a number of ways. Residential development in the district increases localized buying power, providing direct support to local businesses. In addition, increased residential density along Broadway will increase "eyes on the street", enhancing security.

2. *THE RETAIL ENVIRONMENT* – Gertrude Stein coined the popular phrase "There's no there, there" and we see that this is the case on Broadway. In as much as median household incomes are high in the overall area, they drop disproportionately as one gets closer to the core Broadway neighborhood.

   According to our estimates, residents of the Capitol Hill market demanded approximately $389 million in retail products during 2002. There is nothing like that spent on Capital Hill which tells us that there is substantial demand leakage to outside markets. Major areas of leakage are in the miscellaneous retail and drugs businesses, apparel and accessories, and home furnishings. General merchandise expenditures are substantial outside of the area that cannot be overcome due to the "big box" nature of such stores and the lack of available land to develop such a project.

   Demographics are in place[3] for additional expenditures that are not occurring in the neighborhood and there are several reasons for this. The lack of a differentiated shopping experience is certainly an issue regardless of its somewhat eclectic nature.

   It is fully understood that the retail markets follow population growth, not the other way around. It is imperative, therefore to encourage additional residential development and, as that becomes established, one will find increasing interest in retailers opening in the area.

3. *THE OFFICE ENVIRONMENT* – the need for office development is a function of demand which, in turn, is a function of a growing economy. We feel that, in as much as there are businesses that would like to locate themselves on the Hill, that there will be little in the way of new demand until vacancy rates in the more popular CBD locations lower themselves considerably.

[3] See Exhibit 2

While our analysis focuses on the viability and challenges associated with redevelopment in the study area, it provides information useful for more broadly defined and established public policy goals. The study area is within the First Hill/Capitol Hill Urban Center and Broadway East is a Pedestrian Designated Street. The City's Comprehensive Plan outlines a series of goals and associated policies consistent with these designations, five of which are summarized in the following table:

Goal/Policy	Summary	Comments
Goal LG18	Identify and reinforce concentrations of employment and housing locations that would support and have direct access to regional high capacity transit system	Increasing the density of development in the district through redevelopment would be directly supportive of this goal.
Policy L22	Provide zoning and urban center villages, in aggregate, to accommodate a broad mix of activity, and the densities of employment and housing necessary to meet, at a minimum, the urban center density standards of the Countywide Planning Policies.	The NC3-40 zoning prevalent in the district supports a relatively high density of development, and probably the most viable intensity. The split-zoning of properties, most notably those designated Lowrise 3, precludes urban density development. In addition, the open space requirements decrease the density as well as the viability of development in the district.
Goal LG68	Promote commercial areas with a development pattern, mix of uses and intensity of activity generally oriented to pedestrian and transit use by maintaining areas that already possess these characteristics and encourage the transition necessary in other areas to achieve these conditions.	Zoning restrictions limiting height, split zoning, minimum parking requirements and requiring open spaces all conflict with achieving a higher intensity of development in the area. Encouraging transit use is the intent of this goal.
Policy L202	Provide use and development standards for pedestrian oriented commercial zones which promote an environment conducive to walking and a mix of commercial and residential uses that promote the goals for these zones.	This goal is intended to encourage and support transit usage. Zoning restrictions limiting height, split zoning, minimum parking requirements and requiring open spaces all conflict with achieving a higher intensity of development in the area.
Policy L205	Establish special pedestrian districts with additional development standards that may vary to reflect different characteristics and conditions of pedestrian-oriented commercial zones in order to preserve or encourage intensely retail and pedestrian-oriented shopping districts where non-auto modes of transportation to and within the district are strongly favored.	The minimum parking ratios for residential development within the district are not considered to be consistent with a policy to favor pedestrian oriented district. This policy argues that non-auto modes of transportation are to be favored. While it may be desirable that projects be required to provide for parking demand they generate, current parking ratios may overstate that demand.

A primary focus of the City's goals and policies within the district is support for pedestrian oriented commercial districts. These goals were reinforced during community outreach conducted as part of this process. The development/redevelopment projects evaluated in this analysis are highly supportive of these goals and policies, providing increased residential and employment density along major transit corridors. As noted previously, our analysis indicates four major areas in which the general viability of development/redevelopment in the study area can be enhanced. The following table summarizes these areas, and recommended actions that would increase the likelihood of redevelopment in the study area:

Split Zoning	• Reevaluate the appropriateness of split zoning of parcels, particularly in common ownership. The transition between zones should also be evaluated.
Parking Requirements	• Reduce minimum parking requirements to 1.0 space per residential unit in the district. • Allow for lower parking ratios if a lower need or hardship can be demonstrated.
Height Restrictions	• Provide more flexibility on project height, providing design elements such as setbacks can mitigate for an adverse urban design impacts.
Open Space Requirements	• Provide more flexible open space requirements, which may include relief under certain circumstances or offsite mitigation through improvements to public open spaces in the district.

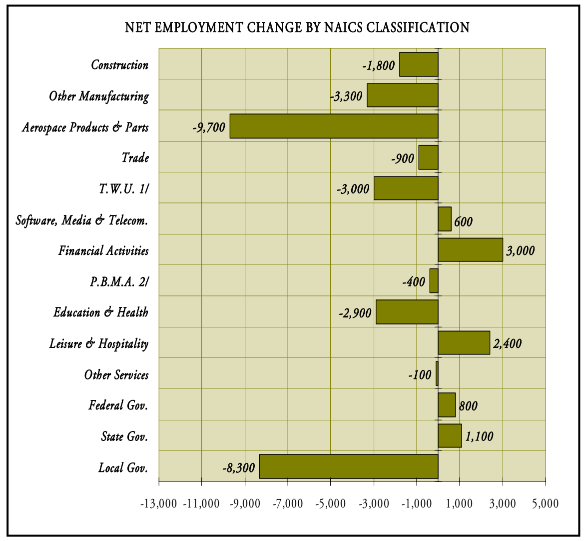
While increasing development and revitalizing the district were identified as key community objectives, our community outreach raised a number of related issues. These included potential gentrification and maintaining affordable housing.

The relationship between the prototypical redevelopment scenarios modeled in this analysis and these issues is complex. The profile of housing evaluated is not significantly at variance with current residential options in the area, and we would expect that the profile of households in these projects would be consistent with the broader Broadway district. A relationship between redevelopment of the district and gentrification is more likely to be reflected in the general revitalization of the district over time. To the extent that new development strengthens the demographics of the district, it will tend to improve the retail climate and over time the retail offerings. As the attractiveness of the district increases, rent levels and home pricing may also generally increase in the district as the commercial district serves as a marketable amenity for local residents. In other words, revitalization of the district will increase its attractiveness as a residential location, thereby increasing achievable lease rates and sales prices in the area.

VI. BASELINE ECONOMIC ANALYSIS

Seattle/Bellevue/Everett MSA[4]

The third quarter employment numbers in the Seattle metropolitan area indicate that employment growth for the region will be negative in 2003. Employment contracted by 1.7% in the twelve months ending in September, reflecting a reduction of 22,500 jobs.



Losses were predominantly in Manufacturing (-13,000, total including 9,700 in aerospace), followed by Local Government (-8,300 jobs), Education & Health (-2,900 jobs) and Construction/Mining (-1,800 jobs). The remaining major employment classifications reported either negligible losses or net gains during the period. Job gains were most pronounced in Financial Activities (3,000 jobs) and State Government (1,100 jobs).

GARDNER JOHNSON expects the Seattle metro area economy to remain sluggish into the coming year. Our current projections indicate that the Seattle metro area will contract by 0.5% in 2003, with positive growth of 1.4% in 2004 and 3.5% in 2005.

Detailed Employment Forecast

Last quarter we revised our 2005 Seattle area employment growth estimates from 3.5% down to 2.8%. Following the sluggish third quarter we still feel that 2.8% growth is a realistic projection for 2005, however, we have scaled down our prediction for 2004, from 1.6% to 1.4% in order to reflect recent market conditions. Since the first quarter of 2003, Seattle has shown sluggishness that has forced nearly all forecasters to revise their expectations downward, and we have done the same. The area still hasn't been able to benefit from the national upswing in the way that other regions in the country have done so. That being said, we still believe that 2005 is going to be a very good year for Seattle and the West Coast in general. All states that have strong ties to Asian economics are expected to see good boosts in economic activity over the next two years.

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4 Beginning in the first quarter of 2003, the Washington Employment Security Department began reporting industrial employment data under the new North American Industrial Classification System (NAICS). The new system permanently replaces the SIC categories. Most industrial classifications remain intact, while Transportation, Communication & Public Utilities, Services and Retail have been divided into smaller categories to provide greater specificity such as: Financial Activities, Information, and Leisure & Hospitality, which combines eating/drinking establishments from SIC category Retail with lodging from SIC category Services. Further descriptions can be found at the U.S. Bureau of Labor Statistics website: http://www.bls.gov/ces/ceswhatis.htm.

Seattle Metro Area	Forecasted Employment by Sector							
Employment Sector	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Construction & Mining	77,084	80,090	83,867	85,878	87,889	89,901	91,912	93,923
Manufacturing	165,784	165,784	166,974	171,942	176,910	181,878	186,846	191,814
T.C.P.U.	82,482	84,132	86,348	88,221	90,095	91,969	93,842	95,716
Retail/Wholesale Trade	318,152	322,924	336,549	342,948	349,346	355,745	362,144	368,542
F.I.R.E.	88,440	89,103	88,882	89,961	91,039	92,118	93,196	94,275
Services	433,302	442,835	473,303	488,467	503,630	518,793	533,957	549,120
Government	205,121	207,172	195,754	199,683	203,613	207,543	211,473	215,403
Total	**1,370,364**	**1,392,039**	**1,431,676**	**1,467,099**	**1,502,523**	**1,537,946**	**1,573,369**	**1,608,792**
Rate	*0.0%*	*1.6%*	*2.8%*	*2.5%*	*2.4%*	*2.4%*	*2.3%*	*2.3%*
King County Forecast								
Construction & Mining	64,502	67,017	70,280	71,966	73,651	75,337	77,022	78,708
Manufacturing	138,724	138,724	139,924	144,087	148,250	152,414	156,577	160,740
T.C.P.U.	69,019	70,400	72,359	73,929	75,500	77,070	78,640	80,210
Retail/Wholesale Trade	266,221	270,215	282,028	287,390	292,752	298,114	303,476	308,838
F.I.R.E.	74,004	74,559	74,483	75,387	76,291	77,194	78,098	79,002
Services	362,576	370,553	396,628	409,335	422,042	434,749	447,456	460,163
Government	171,640	173,356	164,042	167,335	170,628	173,921	177,214	180,507
Total	**1,146,686**	**1,164,823**	**1,199,745**	**1,229,429**	**1,259,114**	**1,288,799**	**1,318,483**	**1,348,168**
Rate	0.0%	1.6%	3.0%	2.5%	2.4%	2.4%	2.3%	2.3%
Snohomish County Forecast								
Construction & Mining	11,787	12,246	12,748	13,096	13,447	13,800	14,154	14,511
Manufacturing	25,349	25,349	25,380	26,221	27,067	27,918	28,774	29,635
T.C.P.U.	12,612	12,864	13,125	13,454	13,785	14,117	14,452	14,788
Retail/Wholesale Trade	48,647	49,377	51,155	52,300	53,450	54,607	55,770	56,940
F.I.R.E.	13,523	13,624	13,510	13,719	13,929	14,140	14,352	14,565
Services	66,255	67,712	71,942	74,491	77,055	79,635	82,229	84,839
Government	31,364	31,678	29,755	30,452	31,153	31,858	32,567	33,280
Total	**209,537**	**212,852**	**217,615**	**223,733**	**229,886**	**236,075**	**242,299**	**248,558**
	0.2%	1.6%	2.2%	2.8%	2.8%	2.7%	2.6%	2.6%

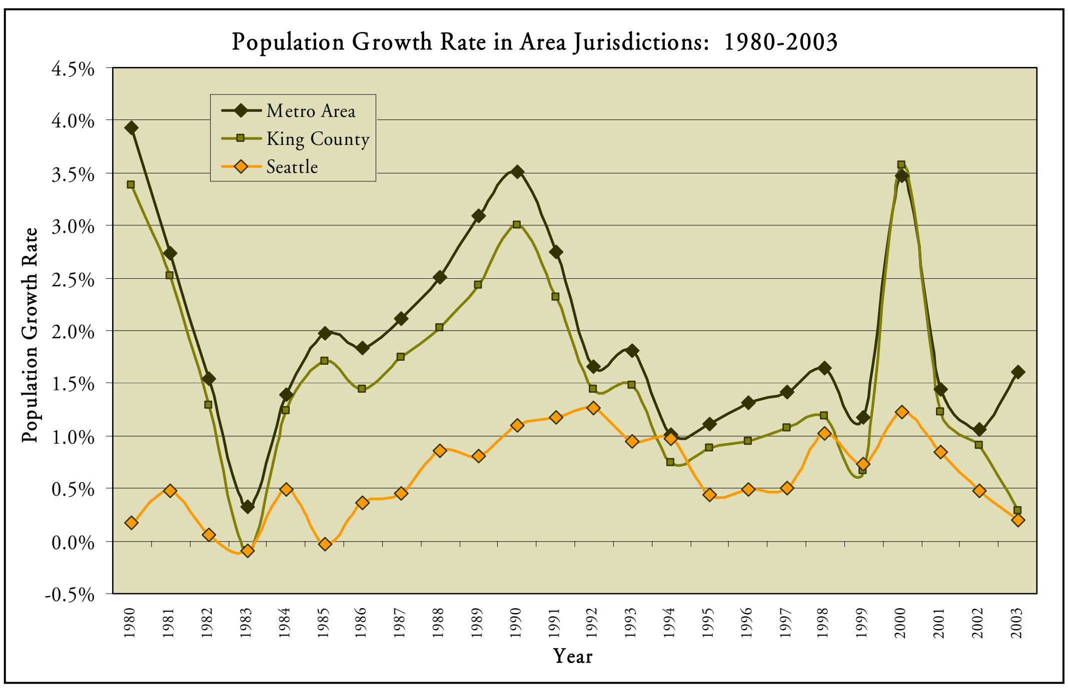
1/ Transportation, Communication & Public Utilities
2/ Finance, Insurance, & Real Estate
SOURCE: State of Washington Employment Security & Gardner Johnson, LLC

A. THE CITY OF SEATTLE

Over the last twenty years, the population in the Seattle has increased steadily from an estimated population of approximately 494,000 in 1980 to approximately 571,000 people in 2003. Over this period, growth averaged approximately 0.6% annually in the City and ranged from a negative growth rate of 0.1% in 1983 to a high of 1.3% recorded for 1992. Generally speaking, annual population growth in Seattle has bounced between 0.5% and 1.3% since 1987.

During the same period, the population in the metropolitan area as a whole grew much more quickly than it did in Seattle. Between 1980 and 2003, the metropolitan region population has grown by approximately 863,000 persons, a total growth of 52.3% or approximately 1.9% annually. King County also grew more quickly than Seattle, showing an increase in population of more the 409,000 persons or a total growth of 40.1%. Annual growth averaged approximately 1.6%.

The following chart tracks the growth rates in the three jurisdictions discussed.



As can be seen in the chart above, growth in King County and the Metro Area almost always exceeded that experienced in the City of Seattle. There are several reasons for this higher growth in the King County and other outlying areas of the Metropolitan region. Following are some of these:

- *Land availability*: The single most important reason for the slower population growth in Seattle in comparison to growth experienced in the wider metropolitan area in the lack of developable land in the city. Because Seattle was the first city to urbanize in the metropolitan region, most of the land has already been developed to some capacity. Because of this, development incurred through a redevelopment program costs a great deal more in Seattle than it does in outlying, suburban jurisdictions. Therefore, development of new, more efficient land uses is slower than development on undeveloped land. Also, because of Seattle's topographic constraints, expansion into new land is not possible.

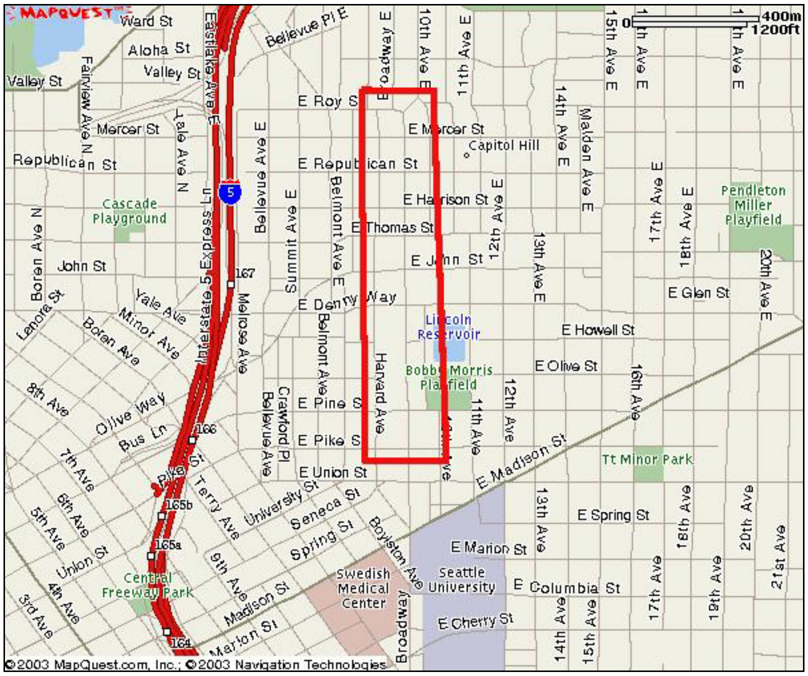
- *Shifts in Employment*: Over the last two decades, the Seattle metropolitan region has experienced a major shift in employment concentration. This shift was due to the rapid growth of Microsoft and other technology companies, which located in outlying suburbs such as Redmond and Bellevue. The location of these companies helped attract residents and new businesses to the suburbs, which allowed those jurisdictions to record high population growth rates.

<u>Capitol Hill Market Area</u>

Greater Capitol Hill is defined by Interstate-5 on the west, 23rd Avenue Easton the east, Portage Bay and Union Bay on the north, and Madison Street on the south. Capitol Hill was given its name by James A. Moore as he developed the neighborhood south of Volunteer Park around 1900. Older neighborhoods include First Hill, immediately east of downtown Seattle, and Madison Park and Leschi, where cable cars once connected with cross-lake ferries. The latter were retired after completion of the original Lake Washington Floating Bridge in 1940.

Broadway Market Area

The Broadway Business District is generally defined as a block either side of Broadway, from East Pike to the South and Roy to the North.



VII. DEMOGRAPHIC ANALYSIS

Capitol Hill

Growth in the Capitol Hill market has been substantially slower than that experienced in the Broadway neighborhood. Between 1990 and 2002, the area grew by approximately 0.5% annually, or a total of 1,500 residents. During the same period, the number of households grew at a slightly faster pace of 0.6% annually, which translated into a slight decrease in the average household size from 1.69 persons per household to 1.66. Over the next five years, Claritas estimates that the area will grow by around 0.8% annually. The number of households in the area should increase at about the same rate, holding the area's average household size pretty much constant.

Capitol Hill: Population, Households, Families, and Year-Round Housing Units

	1990 (Census)	2002 (Est.)	Growth Rate 90-02	2007 (Proj.)	Growth Rate 02-07
Population	25,232	26,741	0.5%	27,815	0.8%
Households	14,729	15,891	0.6%	16,543	0.8%
Families	3,769	3,755	0.0%	3,841	0.5%
Housing Units	15,498	16,457	0.5%	17,128	0.8%
Household Size	1.69	1.66		1.66	

As occurred in the Broadway over the last decade, the residents of the Capitol Hill market have also experienced noticeable income increase since 1990. In 2002, Claritas estimates that per capita income was approximately $47,900, which was nearly $27,000 more than recorded in 1990. The growth rate in per capita income during this period was approximately 7.1%, slightly higher than that experienced in the Broadway market. During the same period, average and median household incomes also increased significantly, recording annual growth rates of 6.9% and 7.1%, respectively.

When comparing the larger Capitol Hill market with the Broadway district, it is obvious that the Capitol Hill market is more affluent than Broadway. According to Claritas, the median household income in the Broadway market is approximately 25% below that of Capitol Hill. This income gap is expected to increase slightly to 26% by 2007.

Capitol Hill: Income

	1990 (Census)	2002 (Est.)	Grwth Rate 90-02	2007 (Proj.)	Growth Rate 02-07
Per Capita ($)	$20,986	$47,901	7.1%	$65,661	6.5%
Average HH ($)	$35,784	$79,845	6.9%	$109,707	6.6%
Median HH ($)	$24,083	$54,716	7.1%	$78,078	7.4%

Broadway

The Broadway Business District, as defined in the previous section, is home to approximately 908 permanent residents and 607 households. According to Claritas, the average household size in the area is approximately 1.47 persons. Over the last 12 years, the area has seen its population increase by approximately 1.3% annually from 782 in 1990. The number of households has increased at a slower rate of 1% annually, attributing to a growth in household size from 1.43 persons per household. Over the next five years, Claritas estimates that the area will grow by approximately 1% annually, or a total of 47 residents. The number of households is expected to increase by 28, or an average of 0.9% per year.

Braodway: Population, Households, Families, and Year-Round Housing Units

	1990 (Census)	2002 (Est.)	Growth Rate 90-02	2007 (Proj.)	Growth Rate 02-07
Population	782	908	1.3%	955	1.0%
Households	538	607	1.0%	635	0.9%
Families	74	77	0.3%	78	0.3%
Housing Units	572	629	0.8%	656	0.8%
Household Size	1.43	1.47		1.48	

Like residents in other Seattle markets, residents of the Broadway market have seen their incomes increase significantly over the last decade. Between 1990 and 2002, the area saw per capita increase by 6.4% annually from an average of $16,000 to $34,000. Average household income increased at a more significant rate of 6.8%, with the median household income increasing even faster at 7.1%. In general, these rates are expected to decrease a bit over the next five years. Claritas estimates that per capita income will increase by around 5.7%, with average household and median household incomes increasing by approximately 6.2% and 7.1%, respectively.

Broadway: Income

	1990 (Census)	2002 (Est.)	Grwth Rate 90-02	2007 (Proj.)	Growth Rate 02-07
Per Capita ($)	$15,992	$33,766	6.4%	$44,490	5.7%
Average HH ($)	$23,200	$50,909	6.8%	$68,619	6.2%
Median HH ($)	$19,356	$43,864	7.1%	$61,804	7.1%

A. SINGLE-FAMILY HOME SALES

Central Seattle

Sales of single-family detached and attached homes in the Central Seattle market increased appreciably during the third quarter when compared to the previous quarter as well as the same period a year previous. The third quarter saw approximately 168 new, detached homes sold in the market, compared to the 6 new homes sold in the third quarter of 2002. Detached resales also increased dramatically, from 706 homes sold in the third quarter of 2002 to 1,564 homes sold in the third quarter of 2003. New attached sales increased from 142 in the third quarter of 2002 to 203 homes sold in the third quarter of this year. Resales were also sharply up with 624 homes sold in the third quarter of this year, compared to the 432 homes resold in the same quarter a year ago.

During the third quarter of 2002, the average new, detached home in the market sold for nearly $373,000; this is compared to the average price of $366,000 during same quarter this year. Attached product experienced a decline in price over the previous period a year ago with new, attached product sold at an average $320,000 during the second quarter of 2003 as compared to a sale price of $343,000 in the same quarter of 2002.

There are several factors currently affecting the for-sale market in Seattle, which may explain help explain the acceleration in sales and the decrease in sales prices.

- *Shift in Product Type*: Give the lengthy economic downturn experienced across the nation over the last two years, investors have been forced to rethink their development strategies to more accurately reflect the new market reality. This has had a great impact on the product types coming onto the market, with newer product being oriented to a lower price-point than those projects of the past. Because many of the major projects sold in 2002 had either begun construction or at least been planned during the boom of the late 1990s, developers of these projects were reluctant to reduce prices as their marketing and product development strategies were geared toward a high-end demographic. For this reason, unit velocity was comparatively slower and sale prices higher at these projects when compared to projects planned more recently.

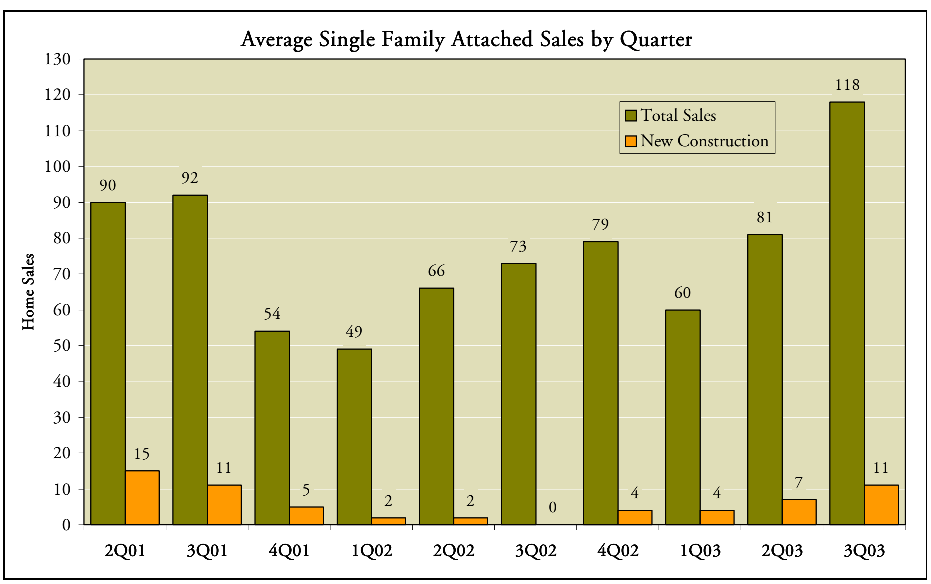
- *Interest Rates*: The Federal Reserve has further decreased the prime interest rate during the last year. Initially, this had the effect of decreasing mortgage rates to record lows during the second quarter, when the national average 30-year fixed mortgage rate fell below 5% for a time. It is likely that this very low borrowing cost led to a significant increase in home sales. However, after its dramatic decline, massive federal deficits and a recovering economy have pushed the mortgage rates dramatically higher. A peak in interest rates were seen at the beginning of August

(>6%), but have receded somewhat to the current rate of approximately 5.6%.[5] How much of a drain these rate increases will have on the housing sector remains to be seen; however, it is expected that demand will decrease and/or prices will be put under pressure.

- *Improving Economy*: While an improving economy can have a negative effect on the housing market by pushing interest rates up, it also has a very powerful impact on the psychology of buyers. In a growing economy, buyers are more confident, which greatly impacts their willingness to buy as well as the price they buy at. All things being equal, an improving economy should increase home sales rates, as well as prices.

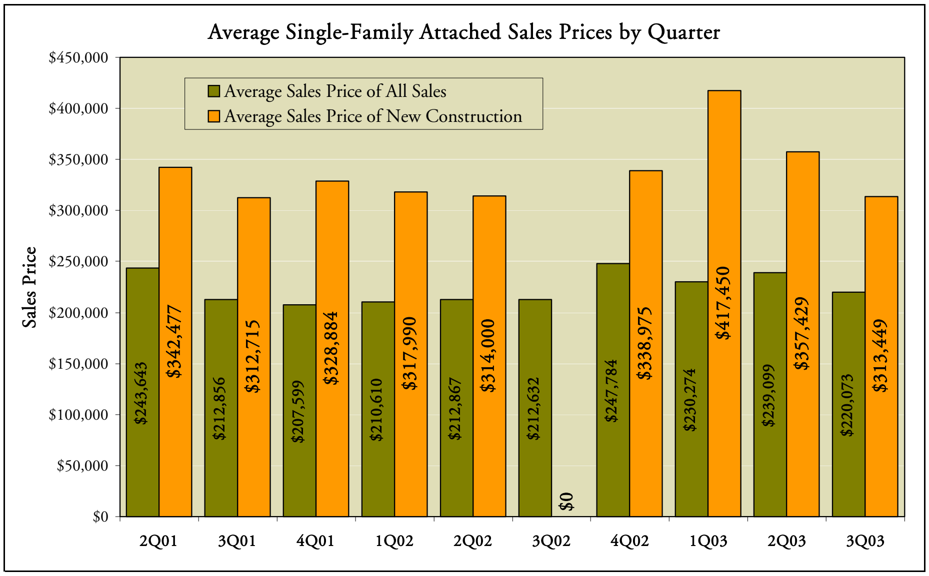
Capitol Hill

The sale of attached homes in the Capitol Hill market has mirrored that seen in the greater, Central Seattle market. During the second quarter of 2003, approximately 81 homes were sold in the market, 7 of which were new units. During the third quarter, the number of sales has increased even more to approximately 118 total sales with 11 being new homes. This is compared to the 66 home sales recorded for the market in the second quarter of 2002 and 73 sales for the third quarter of 2002. In all the Capitol Hill market has accounted for around 12% of the attached home market in Central Seattle.



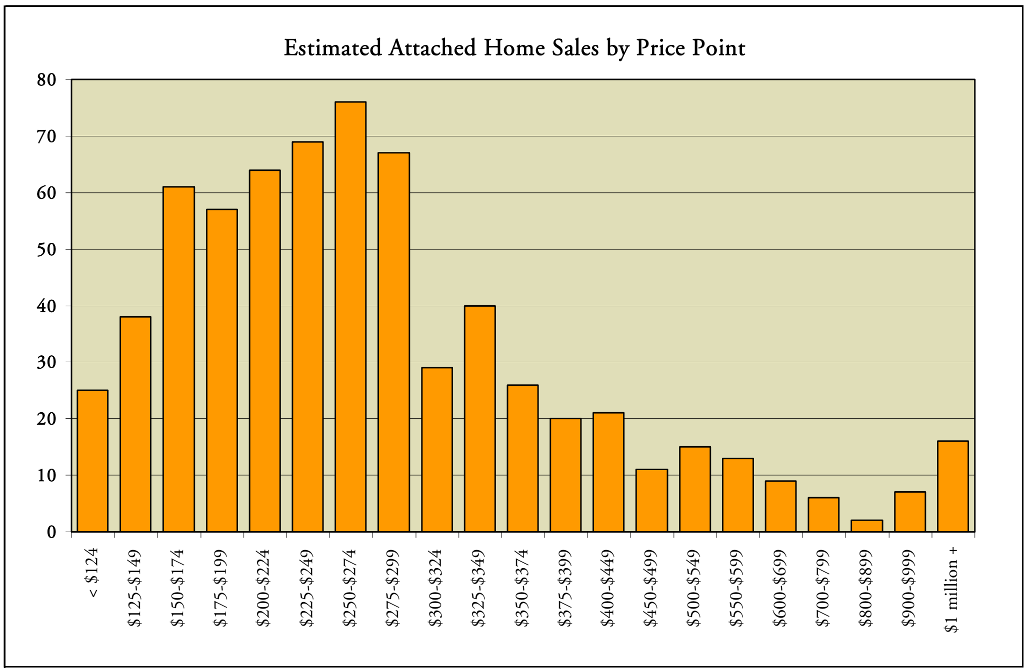
5 Source: Bankrate.com

Prices of new and resale homes in the Capitol Hill market have remained relatively flat over the last couple of years. Currently, the average home in the market sells for around $220,000, with new units going more a more substantial $313,000.



Demand and Absorption

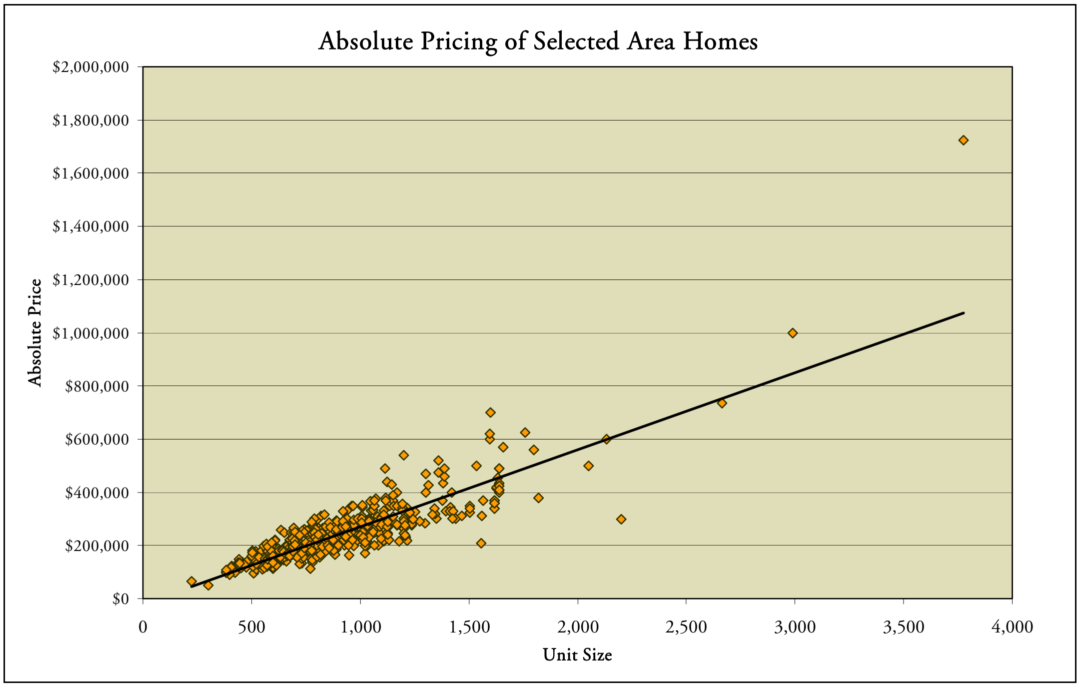
Given recent sales trends and future expectations regarding interest rate levels, employment growth, and general economic recovery, a demand estimate was performed for the Central Seattle market area. This analysis not only estimates demand for new housing within the area, but also attempts to allocate new demand by home price. The results of this analysis, detailed in Exhibit 9, indicate that there will be demand for approximately 248 new, detached homes and 672 new, attached homes in the market over the next year. The following chart illustrates the expected distribution of these sales by home price.



Sales volume is expected to be the strongest in the sub-$300,000 price range, with approximately 68% of expected sales to come in under this price point. The strongest single price segment in our forecast is expected to be the $250,000-$274,999 price range, with approximately 76 home sales expected (11.3% of the market).

A survey of recent attached home sales within the Capitol Hill market area was performed in order to help gauge the potential performance of such projects within the Broadway market. This survey consisted of 634 sales recorded between the second quarter of 2001 and through the third quarter of this year. Like our demand model suggests for the whole of Central Seattle, sales have been much stronger in the sub-$300,000 price range than above that within the Capitol Hill market. However, the contrast is even stronger in Capitol Hill than in Central Seattle, with approximately 539 of the 634 (85%) sales coming in under $300,000.

The following chart plots all of these home sales by price/size.



As is evident from the chart above, homes sales fall along a very tight price/size ratio, coming in at an average price of $234,250, 879 square feet, and with an average price/square foot of $267.

Over the next five years, we expect the sale of homes within the Capitol Hill market to remain strong. However, the number of new homes sold will very greatly depend on the number constructed. This is a result of an acute lack of developable land in the market, which acts to restrict growth more than does actual structural demand. In general, we expect any residential development within the Broadway market to be well received, as long as said development does not attempt to push the market in terms of price. Maintaining an average price point at or below $300,000, or $300/s.f. is critical for the assured success of any ownership redevelopment efforts.

B. Rental Housing

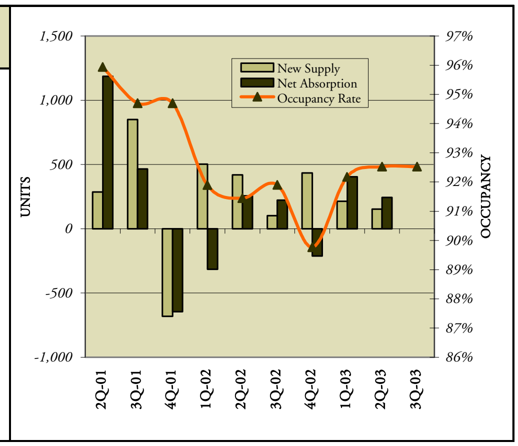
<u>Central Seattle</u>

While not yet completely out of the doldrums precipitated by the dot.com bust, the Central Seattle apartment market is certainly beginning to show some signs of recovery. Between the second quarter of 2001 – when the market saw occupancy peak at nearly 96% - and the fourth quarter of 2002, the market saw occupancy drop by nearly 5%. Since then, occupancy has recovered somewhat to its estimated current level of 92.5%. At least some of this has been the result of a lull in development, with less than 400 new units coming onto the market in the last 6 months (during the 2000-01 period average *quarterly* new additions averaged more than 500). There are currently and estimated 29,039 units in the market, 26,869 of which are occupied. The following chart details these recent trends in the Central Seattle Area.

Inventory & Absorption Analysis – Central Seattle Area

HISTORICAL TRENDS

Quarter	Inventory	Net Additions 1/	Net Absorption	Occupied Units	Occupancy Rate
1Q-99	*24,144*	-170	-471	23,337	96.7%
3Q-99	*24,199*	55	166	23,503	97.1%
1Q-00	*24,574*	375	143	23,645	96.2%
3Q-00	*24,827*	253	114	23,759	95.7%
4Q-00	*26,690*	1,863	2,246	26,005	97.4%
1Q-01	*27,295*	605	-730	25,275	92.6%
2Q-01	*27,581*	286	1,186	26,461	95.9%
3Q-01	*28,432*	851	464	26,925	94.7%
4Q-01	*27,751*	-681	-645	26,280	94.7%
1Q-02	*28,254*	503	-315	25,965	91.9%
2Q-02	*28,673*	419	256	26,221	91.4%
3Q-02	*28,775*	102	223	26,444	91.9%
4Q-02	*28,688*	434	-212	25,753	89.8%
1Q-03	*28,886*	213	405	26,626	92.2%
2Q-03	*29,039*	153	243	26,869	92.5%
3Q-03	*29,039*	0	0	26,869	92.5%

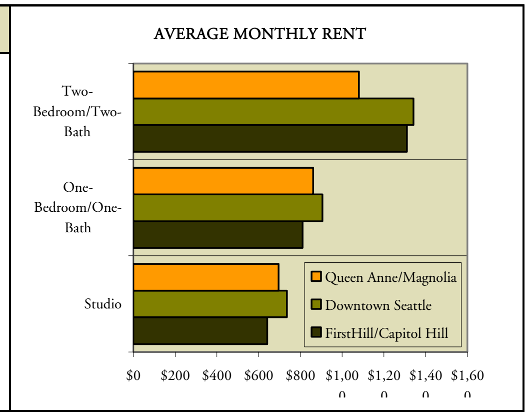


Currently, the most expensive units in the Central Seattle market are those found in the Downtown/Belltown sub-market, where studio units average $735 ($1.61/s.f.), one-bedroom units average $905 ($1.37/s.f.) and two bedroom units average $1,342 ($1.61/s.f.).

Studio units average $641 ($1.51/s.f.) in the First Hill/Capitol Hill market and $696 ($1.45/s.f.) in Queen Anne/Magnolia. One-bedroom units average $811 ($1.31/s.f.) in First Hill/Capitol Hill and $862 ($1.32/s.f.) in Queen Anne/Magnolia. Two-bedroom units average $1,310 ($1.33/s.f.) in First Hill/Capitol Hill and $1,081 ($1.48/s.f.) in Queen Anne/Magnolia.

Rent & Vacancy Analysis – Central Seattle Area

Submarket / *Unit Type*	Average Rent/Unit	Market Vacancy	Average Rent/S.F.
Overall Market			
Downtown Seattle			
Studio	$735	15.9%	$1.61
One-Bedroom/One-Bath	$905	5.8%	$1.37
Two-Bedroom/Two-Bath	$1,342	6.6%	$1.48
FirstHill/Capitol Hill			
Studio	$641	7.2%	$1.51
One-Bedroom/One-Bath	$811	7.8%	$1.31
Two-Bedroom/Two-Bath	$1,310	5.0%	$1.33
Queen Anne/Magnolia			
Studio	$696	4.3%	$1.45
One-Bedroom/One-Bath	$862	3.6%	$1.32
Two-Bedroom/Two-Bath	$1,081	5.2%	$1.48

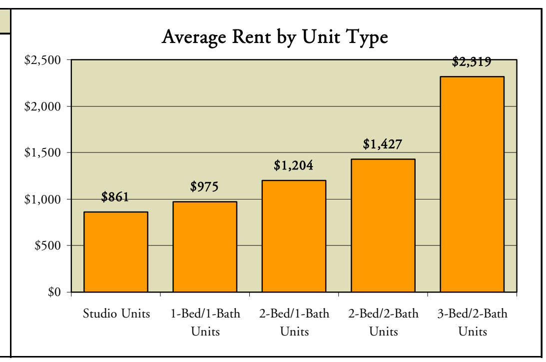


Capitol Hill

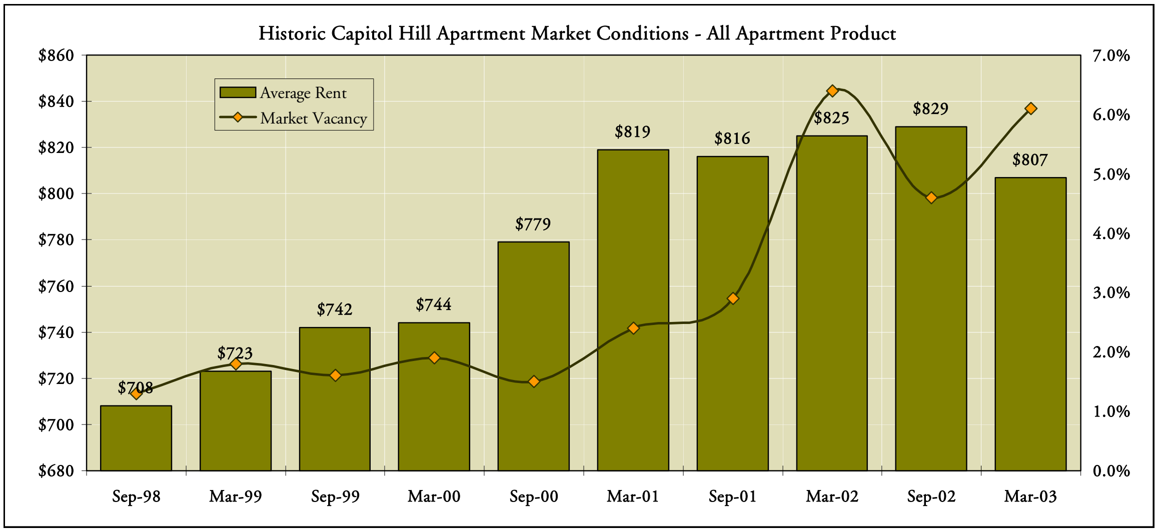
Currently, vacancy in the Capitol Hill market sits at approximately 7.3%, with the average apartment leasing for nearly $1,040 or $1.38 per square foot for those units built after 1994. The average rental apartment unit is approximately 780 square feet in size. The highest vacancy rate is seen in two-bed/one-bath units, which report a vacancy rate of 11.7%. The lowest vacancy rates are found in the studio units (6.4%) and three-bedroom/two-bath units (0.0% - though there are very few of these units, making this vacancy relatively unimportant).

Capital Hill Rent & Vacancy Data

Current Market Conditions	Rent	Avg. Size	$/s.f.	Vacancy
Studio Units	$861	545	$1.58	6.4%
1-Bed/1-Bath Units	$975	663	$1.47	7.0%
2-Bed/1-Bath Units	$1,204	808	$1.49	11.7%
2-Bed/2-Bath Units	$1,427	1,012	$1.41	10.0%
3-Bed/2-Bath Units	$2,319	1,423	$1.63	0.0%
All Units	$1,119	783	$1.43	8.2%



When aggregating all units, including those build before 1994, the Capitol Hill market reports a vacancy rate of approximately 6%, with the average apartment renting for around $807. Rents are down somewhat from their high at the end of September 2002 or and average $829; however, in general they have demonstrated a strong upward trend over the last several years. The following chart illustrates these changes in the market since September 1998.

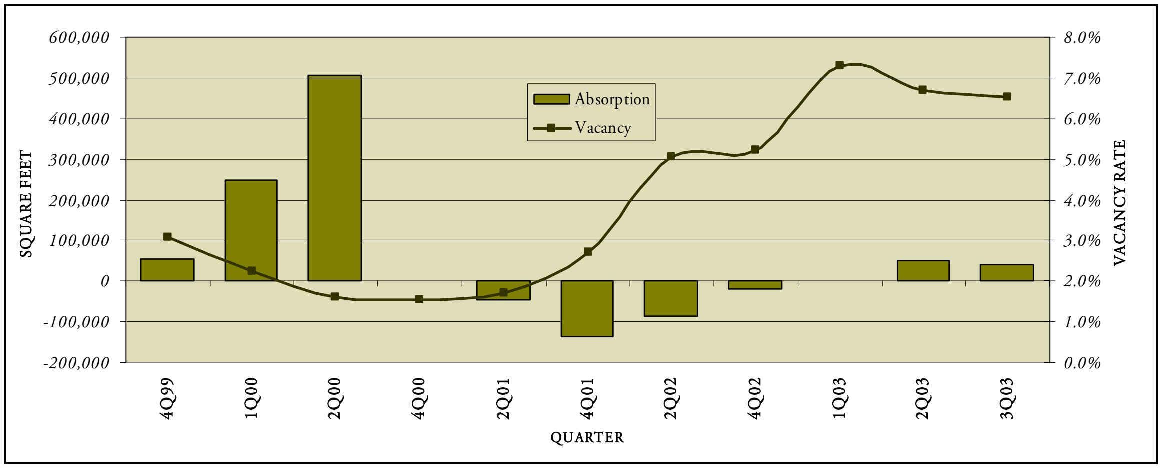


Future conditions in the Capitol Hill rental apartment market are highly dependent on the level of construction activity in the market. Currently, the area should be considered built out in terms of available, developable land. Consequently, the only additions to the market that are expected will be result of redevelopment activity. Because of the nature of redevelopment, we don't expect any major additions to the rental apartment supply until lease rates increase and vacancy rates fall. However, given the relative tightness of the market, it is quite possible the area will see such conditions in the near future.

C. RETAIL MARKET

Central Seattle

The Central Seattle retail market experienced somewhat of an improvement during the third quarter of 2003 during which more than 40,000 square feet of space was absorbed, approximately 58,000 square feet of new space came on to the market, and vacancy dropped from an estimated 6.7% to 6.5%. This is some of the first good news seen in the retail market during the last two years. In general, the market has been characterized by increasing vacancies, falling lease rates, and lackluster absorption. The following chart illustrates the market's activity over the last several quarters.

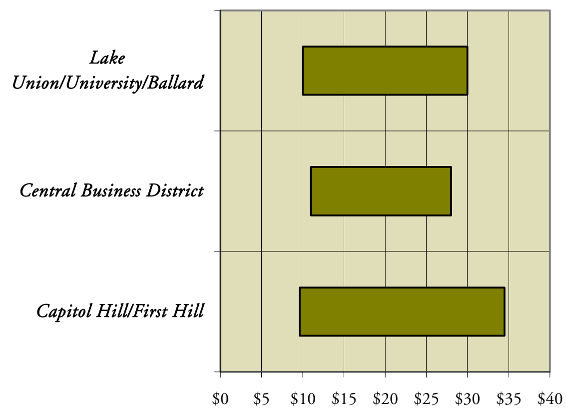


Of the 3.8 million square feet dedicated to retail space within the Downtown market, almost 2 million is used as specialty and urban format uses, more than 1 million square feet is designated as mixed use, 444,000 square feet is located in neighborhood centers, with the remaining 420,000 square feet located within regional centers. The highest vacancy is seen in the specialty/urban formats, which reports a vacancy of nearly 9.5%. Neighborhood center space reports a vacancy of nearly 2.4%, mixed use reports at 5.3% and Regional Centers at 0.4%.

QUOTED RENT RANGES

AREA	Low	High
Capitol Hill/First Hill	$9.65	$34.50
Central Business District	$11.00	$28.00
Lake Union/University/Ballard	$10.00	$30.00
Pioneer Square/Waterfront	$12.00	$26.00
Total	$9.65	$34.50

TYPE	Average
Strip/Specialty/Urban	$18.65
Community/Neighborhood	$24.67
Mixed Use	$17.11
Power/Regional Center	$19.00



Lease rates vary greatly between and even within the different submarkets from which the Central Seattle market is comprised. Lease rates within the area can run as low as $8.00 to as high as $34.50[6]. It is probable that there exit some properties that rent for rates far outside these reported numbers. For those properties that report lease rates, the most expensive space is located in the neighborhood centers.

Given the current market and economic conditions, we expect the retail market to recover somewhat slowly. However, in aggregate, lease rates are not so high that they cause investors to completely ignore the market. We expect that developers will eye the market carefully over the coming quarters and adjust development plans according to the markets willingness to absorb new space.

Capitol Hill

A survey of local retail properties was performed for the Capitol Hill market area. This survey included some 34 properties, comprising approximately 570,000 square feet of retail space. The largest project in the survey was Broadway Market, with approximately 168,000 square feet. The average project was 16,800 square feet. On average, the area sees a vacancy of approximately 12.1%, which is noticeably higher than that reported for the greater Central Seattle area. According to our survey, much of the vacancy comes in the small format properties, which seems to indicate the inability of small businesses to maintain sales.

Local Demand Estimates

Consumer expenditure forecasts were needed in order to estimate demand for retail space in the designated market area. The forecast used a demographically driven, no-income growth

[6] As reported by Commercial Space Online

methodology. This model estimated expenditures by maintaining constant real per capita income levels and only adjusting the number of household based on estimates provided by Claritas and previously addressed in this report. This methodology is fairly conservative, as it does not account for increases in the real income of residents in the area.

According to our estimates, residents of the Capitol Hill market demanded approximately $389 million in retail products during 2002. Using a method of translating gross expenditures into supportable retail square feet, we found that these expenditures could support nearly 2.4 million square feet of retail space. Given that the amount of space demanded is significantly higher than that available in the area – not to mention the fact that the existing space is currently running a very high vacancy rate – seems to suggest that there is substantial demand leakage to outside markets. A few possible reasons for this leakage are as follows.

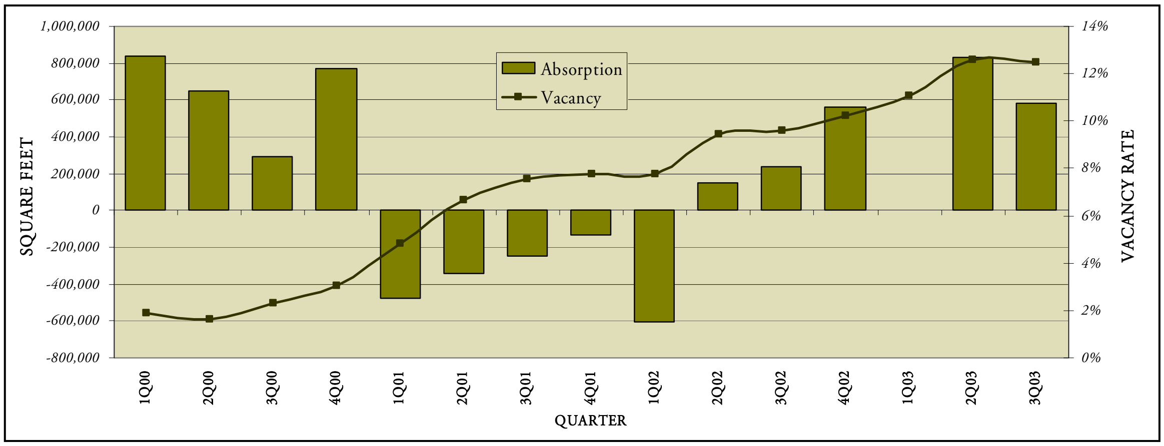
- **Space Configuration**: The majority of space within the market is small and seems dedicated to specialty uses. As noted in the results of our survey of market conditions, these are currently the projects reporting the highest vacancy rates. This indicate a lack of demand for such space and points to a shortage of larger space in the market.

- **Access and Parking**: It's quite possible that one of the major factors affecting the market is access to area retailers and parking availability. Similarly to other areas surrounding the CBD, there is the impression that there is limited parking availability. In as much as GARDNER JOHNSON did not undertake a formal analysis of parking in the area, it is believed that there is adequate parking availability at this time. However, additional development would put additional strain on the area.

D. Office Market

Central Seattle

Office market conditions in the Central Seattle market remain weak, characterized by high vacancy rates, declining lease rates, and lackluster absorption but are showing very limited signs of improvement. Currently, the area reports a total vacancy of approximately 16.3%, with direct vacancy of 12.5%. This represents approximately 7.7 million square feet of the estimated 47.2 million square feet of office space available in the market.



Since the second quarter of 2000, vacancy has increased each quarter, with significant negative absorption reported in 5 of the last 10 quarters. However, there are some signs that the market may be turning around. Over the last year, the market has reported no significant decline in absorption and has actually seen positive absorption in four of the last five quarters.

Market conditions vary greatly throughout the Downtown office submarkets. Currently, the highest vacancy is seen in the Pioneer Square submarket (22.3%) with the lowest being reported in the Capitol Hill/First Hill market (14.7%). The largest submarket in the area – the Central Business District – reports a total vacancy of 15.1%. Lease rate vary widely as well, with space going for upwards of $35+ per square foot within some CBD projects and as low as $5.50 per square foot in the Pioneer Square submarket.

Overview of Office Market Trends – Central Seattle Area

	Speculative Inventory	Under Construction	Inventory Adjustments	Net Absorption	Vacancy Direct	Vacancy Sublease	Vacancy Direct	Vacancy Total
Capitol Hill/First Hill	2,982,420	10,000	429,966	(137,611)	436,932	2,290	14.65%	14.73%
CBD	25,862,434	207,000	-241,784	339,864	2,883,219	1,041,870	11.15%	15.18%
Denny Regrade	5,562,621	0	-33,989	99,335	636,822	168,282	11.45%	14.47%
Lake Union	4,720,661	248,060	-253,013	205,402	774,983	152,066	16.42%	19.64%
Pioneer Square	4,821,001	0	-185,945	(11,045)	751,222	324,280	15.58%	22.31%
Queen Anne	3,261,971	87,000	-164,316	83,920	418,376	136,176	12.83%	17.00%
Total	47,211,108	552,060	-449,081	579,866	5,901,554	1,824,964	12.50%	16.37%

Capitol Hill

A survey of office space was performed for the Capitol Hill market. This survey included nearly 730,000 square feet of space and 57 properties. Across the market, there was approximately 83,000 square feet of space vacancy, representing a market vacancy of around 11.3%. The average triple-net lease rate was $16.27 per square foot.

Summary of Capitol Hill Office Projects

Number of Properties	57
Total Square Feet	729,714
Average Property Size	12,802
Total Vacancy (s.f.)	82,611
Vacancy Rate	11.3%
Average Lease Rate (NNN)	$16.27

Expected Performance

The Central Seattle office market is not expected to improve quickly, as employment growth remains lackluster and a plethora of new projects either under construction or in advanced planning stages. Currently, Commercial Space Online estimates that there is more than 1.7 million square feet under construction and 4.1 million square feet in various planning stages. Even disregarding these new projects, their remains enough vacant space in the market to employ more than 31,000 workers[7], which highlights the fact that a great deal of employment growth need to occur before significant new projects are planned.

Given this backdrop, new office development in the Broadway market should be planned with caution and should only be undertaken after strong commitments by tenants are made. Given that, we would expect new space in the market could go for as high as $22 per square foot, triple-net; however, a more reasonable assumption would be $16-$20 per square foot.

[7] Assuming 250 square feet of space per employee on average.

VIII. Financial Analysis

A. Introduction

As part of our evaluation of mixed-use development opportunities, prototypical development programs were assumed on four development sites within the study area. The development programs are based on existing zoning codes currently on the sites evaluated. The development programs were designed to test a number of potential permutations of development type, and are not intended to necessarily represent the highest and best use of the sites. A series of pro forma financial analyses were then run for these development programs, which evaluate the characteristics of the developments from an investment perspective.

The purpose of this component of the analysis was to provide a more comprehensive understanding of the development characteristics of the sites from a financial perspective. This memorandum and the attached pro formas summarize our findings with respect to the financial characteristics of the prototypical development programs.

B. Redevelopment

A large proportion of the land in study area has been developed, and the redevelopment of existing properties will represent the greatest potential for incremental growth. While current uses may not represent particularly intensive development, redevelopment is often not viable from a market perspective. Redevelopment requires several definable conditions to be viable, which are outlined in this section.

A ratio of improvement to land value is typically used to identify parcels with development or redevelopment potential. This ratio attempts to identify parcels in which the value of the improvement is relatively low relative to the value of the land. The following are some limitations of this type of analysis:

- *Not all of properties are being actively marketed, and a property owner's decision to sell is not always predictable and can be based on personal as well as economic factors.*

- *A large number of the properties identified as redevelopment prospects have a significant economic value in their current configuration, which is likely to be greater than the value of the land for redevelopment. Under these conditions, it would not be reasonable to assume redevelopment of the property from market forces. Our analysis uses assessed value as a proxy for acquisition cost, an assumption that may not prove realistic in all instances.*

A key variable to track in determining the viability of redevelopment is residual land value, or the value of land under alternative development programs. The following are conditions under which redevelopment is likely.

- *The land value for the proposed development is greater than the sum of the land value and improvements under the current use;*

- *The return associated with improving a property yields rent premiums capable of amortizing the associated costs; or*

- *Depreciation of the improvements on a property has reached a point to which the improvement has no effective value.*

Additional factors impacting the viability and/or probability of redevelopment in a specific area are numerous, making it difficult to generate a reliable delineation of sites for redevelopment. Key factors include:

- ***Owner disposition****. This factor includes a broad range of variables, including the property owner's level of capitalization, investment objectives, risk sensitivity, availability and terms of credit, perception of return, etc.*

- ***Current lease structure****. The property's current lease structure and term may either preclude major improvements or reduce the potential for realizing a return on enhancements or improvements. An example of this is often found in retail leases, which have relatively long terms with extension options.*

- ***Leaseholder disposition.*** *The leaseholder's disposition is also a contributing factor to improvements, as the leaseholder's willingness to bear the burden of increased rents associated with improvements is critical. In addition to the current leaseholder, the general market for space and the disposition of potential lessees is also an important factor impacting the viability of improving a property.*

One of the most prevalent errors made in encouraging more intensive development in an area is to require densities and development forms that are not viable. This precludes any unsubsidized development in the area. Urban development forms represent an organic and iterative development process, in which development activity increases densities and demand, triggering redevelopment and higher densities over time.

C. Summary of Financial Analyses

A pro forma evaluation of assumed development programs was completed for four opportunity sites identified in the district. The sites evaluated included the Bank of America site, the Baskin & Robbins site, the Malone Site and the Diamond Parking Site. Schematic programs were developed for these sites based on the existing zoning code, while cost estimation was derived from RS Means. Assumed income variables were provided by GARDNER JOHNSON based on our market analysis. The purpose of the analysis was to provide a more comprehensive understanding of the development characteristics of the concepts from a financial perspective.

Our expectation is that careful program evaluation and tuning by a developer will likely enhance the yield identified in this analysis. Cost estimates are based on typical product types, while lease rates and sales prices are based on professional opinion.

This memorandum and the attached pro formas summarize our findings with respect to the financial characteristics of each development program.

1. Basic Assumptions

Each development and individual components were evaluated using a ten-year cash flow, with a reversion value at the end of the period. The scenarios assumed fee simple ownership of the property by the developer and conventional financing.

Estimates of construction costs were based on RS Means median cost data. The numbers assumed by developers may vary substantively, depending upon variations in design and finish quality. Cost estimates for acquisition are based on the 2003 assessed value figures contained in the King County Assessor's records. While these are used in this analysis as a proxy for value, actual values could vary substantively. Liability insurance costs for condominium development were assumed to be included in the cost estimates, but construction defect litigation exposure represents a significant risk factor as well as cost item.

Financial assumptions were made with respect to lending terms based on recent experience. The interest rates are a bit above current levels, reflecting our expectation that rates will be higher by the time that this project proceeds. The following is a brief summary of financial assumptions common throughout the analysis:

Financial Assumptions

Capitalization Rate:	
Rental Apartments	8.00%
Office/Retail	8.00%
Minimum Debt Coverage Ratio	1.20
Loan to Value Ratio Max	80%
Construction Loan Interest Rate	6.00%
Points on Construction Loan	1.00%
Permanent Loan Interest Rate	7.50%
Points on Permanent Loan	1.00%
Threshold Return on Sales/Condos	15.00%
Threshold Return on Cost/Income	12.00%

Income and sales assumptions were based upon the professional opinion of GARDNER JOHNSON, and necessarily assume a fairly generic product. These included the following:

Condominiums	
Sales Price/S.F.	$300 - $325 per square foot
Rental Apartments	
Lease Rate/S.F.	$1.65 - $1.75 per square foot
Office Space (Class A)	
Net Lease Rate/S.F.	$16 - $18 per square foot NNN
Retail Space	
Net Lease Rate/S.F.	$20.00 per square foot NNN

While we feel that these numbers are appropriate baseline assumptions, developers evaluating project feasibility may vary in their assumptions, which would either increase or decrease their perceived need for assistance. The office space was assumed to have a stabilized vacancy rate of 10%, which is well below current market conditions. The local speculative office market would need to recover substantially to support this assumption.

The analysis assumed threshold requirements in terms of a minimum return on investor's equity necessary for development to occur. A 12.0% return on investment was assumed for income properties, including office, retail and rental apartments. Return on investment is defined as the net operating income (NOI) during the first stabilized year divided by the total project cost. The threshold for condominiums was assumed at a 15% net return on sales, which reflects the net yield from sales divided by the cost. The yield that an individual developer or investor may be willing to accept can vary significantly, and these measures should be viewed merely as guidelines.

2. Zoning Issues

The assumed development programs for each of the sites were developed based on maximizing the density of the underlying zoning codes. The following is a brief summary of the relevant codes:

Lowrise 3

The Lowrise residential zone is seen on the portions of the sites fronting 10th Avenue E. This zone presents a number of challenges for development at urban densities, including setback requirements, minimum parking standards and density limits. Front setbacks are 15', but may be reduced to as little as 5; if the average setbacks of the abutting structure is less than 15'. Rear setbacks are 25' or 15% of lot depth, whichever is less, while side yard setbacks are 5'. There is a minimum parking ratio required in this zone ranging between 1.1 to 1.5 spaces per unit for multi-family dwellings. This ratio is seen as very high in light of the highly urban nature of the district, and will negatively impact the yield on many residential programs that do not need that level of parking. The zone also limits density to one unit per 800 square feet of lot area.

The zone is consistent with low-density residential development, and is clearly not intended to support the type of development we are modeling in this analysis.

Lowrise 3 Residential Commercial

This zoning designation applies the same restrictions as Lowrise 3, while allowing commercial uses as well if there is at least one dwelling unit in the structure. While somewhat more flexible, this restriction will severely limit achievable densities.

Midrise Residential Commercial

With regard to uses and parking, Lowrise RC zones and Midrise RC zones are nearly identical. Midrise RC zones have a height limit of 60', a width limit of 150' if modulated, an depth limited to roughly 65% of the depth of the lot. Setbacks average 15' for the front, 10' in the rear if modulated, with side setbacks dependent upon height and depth.

Neighborhood Commercial 3-40

The height limit for an NC3-40 zone is 40'. In addition, the Director can grant mixed use buildings with up to an additional 4' of height for mixed use buildings, provided that certain criteria are met, including the protection of private views.

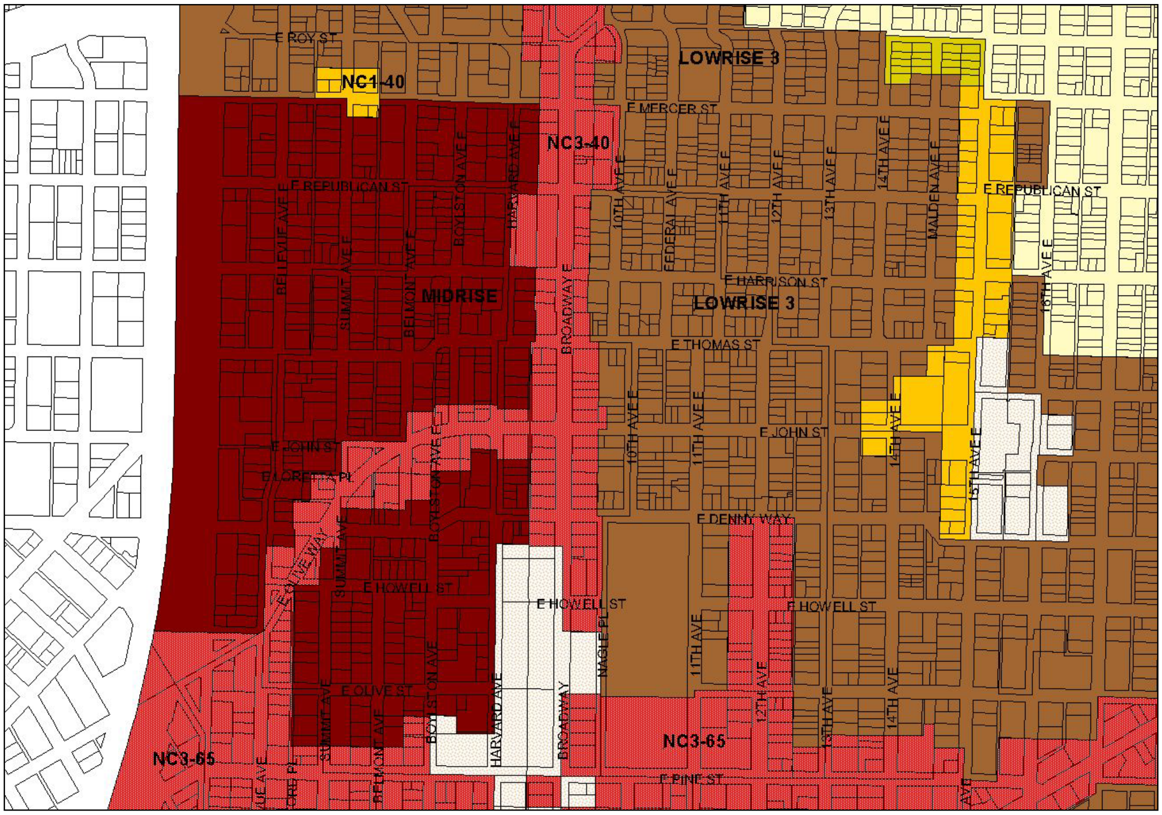
Setbacks only apply to structures in commercial zones when they abut or are across the alley from a residentially zoned lot, such as Lowrise 3. In general for a NC3-40, a setback will be not be required for the first floor. For areas above the structure above 13' in height, the setback will be 10'. Residential uses in upper stories are limited to 64% lot coverage.

Parking requirements in this zone are less onerous. There is a standard waiver of 2,500 square feet for many uses, with a retail store having a waiver of 27,500 s.f. and a restaurant having a waiver for up to 5,000 square feet.

Open Space

Open space is very difficult and has a dramatic impact on the floor area that can be achieved within the structure, particularly in commercial zones. The requirement is 20% of the structure's gross floor area in residential use. The requirement for Lowrise and Midrise zones is 25% or 30% of the lot area, depending upon whether the open space is located at ground level or above ground level.

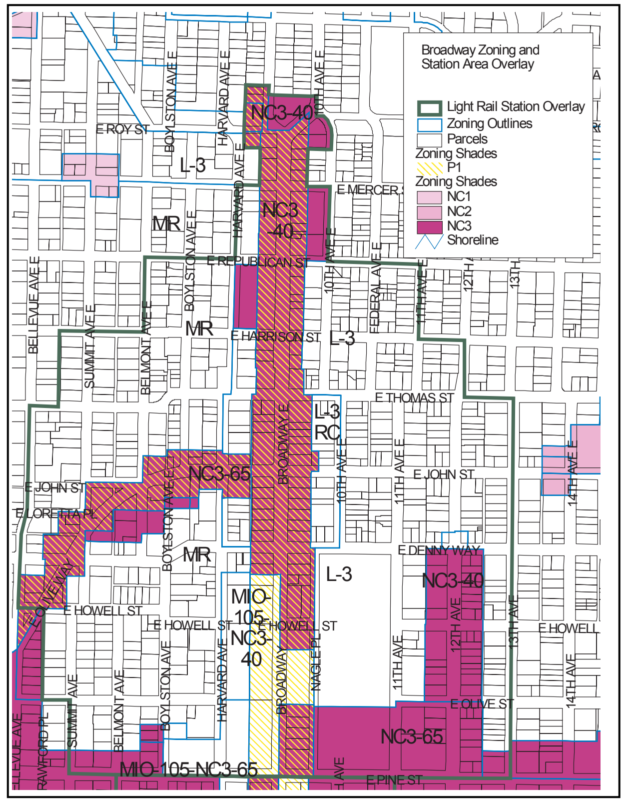
Zoning Code Map, Broadway District



Broadway Station Area Overlay (SAO)

Much of the commercially-zoned land along Broadway is covered by the Station Area Overlay (SAO). This overlay removes the 64% upper-story lot coverage requirement for residential uses, allowing for higher development densities and yields.

As shown in the map to the right, properties along Broadway and Olive Way are within a Pedestrian 1 (P1) designation, which waives the parking requirements for the first 25,000 square feet of most retail uses. The requirement is waived for eating and drinking establishments below 2,500 square feet.



3. Summary of Findings[8]

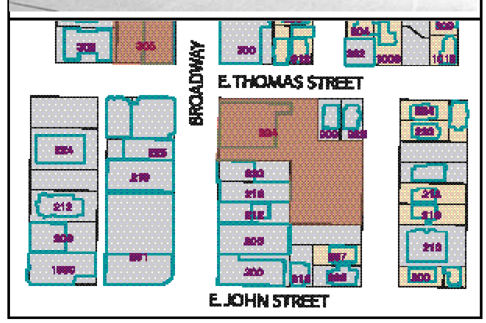
The scenarios evaluated varied in their viability, with condominium units, office space and ground floor commercial space proving to be largely viable. Structured parking and market rate rental apartments generally eroded yields in the area. The following table summarizes the development costs, estimated values at completion and relationship between cost and value associated with each of the development programs evaluated:

SUMMARY OF FINANCIAL MODELING

Site/ Option	Lot Size (SF)	Assessed Value	Residential Units Rental	Residential Units Owner	Commercial Space (SF) Office	Commercial Space (SF) Retail	Parking Spaces	Total Cost	Stablized Value	Value/ Cost
SITE ONE: Bank of America										
Option A	39,680	$3,572,200	0	30	46,080	15,360	61	$18,498,848	$20,363,617	110%
Option B	39,680	$3,572,200	0	106	0	9,216	159	$25,465,532	$33,814,357	133%
SITE TWO: Baskin & Robbins										
Option A	5,822	$524,900	0	0	17,466	5,822	0	$3,383,455	$4,145,679	123%
SITE THREE: First Christian Church/Malone Site										
Option A	46,080	$5,557,600	111	0	0	11,520	167	$23,216,152	$20,155,672	87%
Option B	46,080	$5,557,600	0	111	0	11,520	167	$28,083,603	$33,541,453	119%
SITE FOUR: Diamond Parking/Fortuna Sequitur/Jones Family										
Option A	57,987	$6,686,700	0	128	0	26,400	192	$34,376,958	$43,389,201	126%

The following sections will review in more detail the program and indicated financial performance of the assumed development programs on the demonstration sites.

4. Site One: Bank of America



The Bank of America site is a relatively large site, with frontage on Broadway, E. Thomas Street and 10th. The configuration of the site is not rectangular, and efficiencies in design and yield may be possible through acquisition of some of the adjacent properties. The current assessed value on the property is $3,572,200, reflecting a value of just over $90 per square foot. The existing bank building is in good shape, and would appear to represent a more valuable improvement than implied by the assessed value of $1,000. The eastern portion of the property is currently operated as a surface parking lot.

8 More detailed analysis will be found in the Appendices

Zoning on the site is currently split, with the western portion of the site zoned NC3-40, while the eastern portion is zoned L-3RC. The L-3RC zone does not allow commercial development, but will allow for a mix of parking and residential development, with some limitations on density. The NC3-40 zone limits the height of new structures, and will effectively limit new construction to three stories total.

Alternative A

Alternative A is based on current zoning, which is split on the site between NC3-40 on the western portion and L-3RC on the eastern portion. We are proposing a development program that includes ground floor commercial space fronting Broadway and Thomas, with parking accessed from 10th. The parking and commercial space would be a concrete podium, which would extend over the entire site, with three stories of wood frame construction above. As a result of the split zoning designation, we have modeled a residential condominium and speculative office space program on the second through fourth floors, with the parking dedicated to these uses. The residential program is located on the eastern portion of the site, and is limited to only two stories above the parking. Ground floor commercial space will front Broadway and Thomas.

The residential was assumed to include 30 condominium units on the eastern half of the site. A total of 38 underground spaces were provided for residential parking for this project. An additional 45,000 square feet of office space would be provided on the western portion of the site.

The yield on the project appears weak for both the commercial/office and condominium components. When stabilized, the income component of the project generates a return on investment of 8.4%, while the condominiums had an 11.5% return on sales.

MEASURES OF RETURN:	
Indicated Value @ Stabilization	$11,763,617
Value/Cost	107%
Return on Investment (ROI)	8.4%
Return on Sales (ROS)	11.5%
Internal Rate of Return	27.6%
Modified Internal Rate of Return @ 8% Reinventment	23.3%
ESTIMATION OF VIABILITY GAP	
Targeted Return on Sales	15.00%
Calculated ROS	11.50%
Calculated Gap-Condos	$253,670
Targeted Return on Investment (ROI)	12.0%
Calculated ROI	8.4%
Calculated Gap-Income Components	$3,406,289
Overall Gap as % of Development Cost	19.8%

Using our threshold assumptions, these figures would indicate a viability gap approximately 19.8% of the total development cost. In this analysis, the "viability gap" represents the degree to which the project fall short of the assumed yield requirements necessary to make redevelopment viable.

The primary factor impacting the viability of this scenario is the split zoning of the site, and the resulting inefficiencies of design and loss of yield.

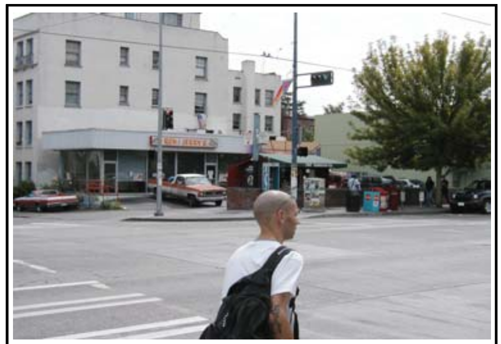
Alternative B

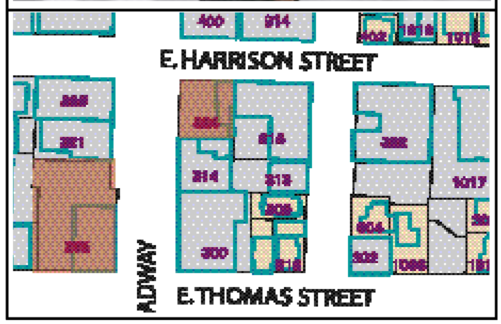
The second alternative evaluated assumes that the project is completed under a uniform NC3-40 zoning designation, which allows greater site coverage. The assumed program under this alternative was three stories of wood-frame condominiums over a concrete podium, with commercial space fronting Broadway and Thomas. The residential component of the program yields a total of 71 condominium units and 76 parking spaces.

MEASURES OF RETURN:	
Indicated Value @ Stabilization	$1,760,797
Value/Cost	125%
Return on Investment (ROI)	5.6%
Return on Sales (ROS)	31.3%
Internal Rate of Return	9.3%
Modified Internal Rate of Return @ 8% Reinventment	9.1%
ESTIMATION OF VIABILITY GAP	
Targeted Return on Sales	15.0%
Calculated ROS	31.3%
Calculated Gap-Condos	($3,737,564)
Targeted Return on Investment (ROI)	12.0%
Calculated ROI	5.6%
Calculated Gap-Income Components	$1,341,421
Overall Gap as % of Development Cost	-9.4%

Under this alternative, the return on the condominiums is quite strong, negating the relatively low yield on the commercial component. Our analysis indicates that the program would be viable without assistance under the assumptions used.

5. Site Two: Baskin & Robbins Site





The Baskin & Robbins site is located at the southeast corner of Broadway and Harrison, and is the smallest of the sites evaluated at 5,822 square feet. The assessed value of the site is $524,900, or just over $90 per square foot. The site has minimal improvement value, and is zoned NC3-40. The site does offer outstanding exposure, with frontage on Broadway and E. Harrison Street.

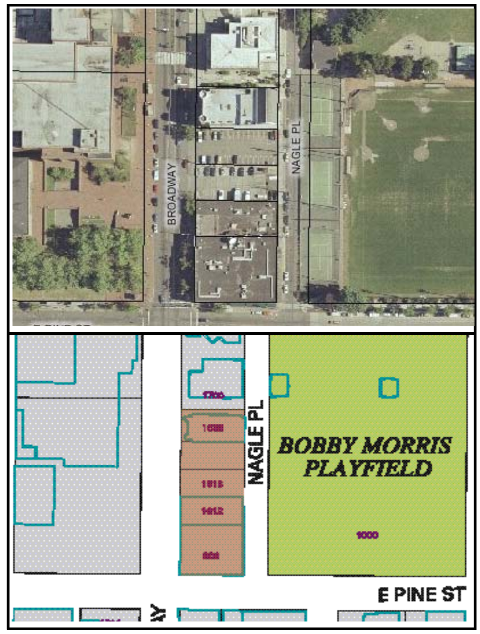
The limited size of the site will likely preclude provision of on-site parking. As a result, we expect that the most likely redevelopment option for the site will be speculative office space over ground floor commercial, as minimum parking requirements will preclude residential development. The scale of the site will limit the efficiency of floor plates, as well as increasing costs per square foot. A secondary option may be either office or for-sale loft space, which would allow for a more open floor plan. Development height was limited to four stories due to current height restrictions.

The program includes provides approximately 16,500 square feet of leasable office space, and just under 5,000 square feet of retail space.

As modeled, the income components of the project yields a 9.8% return on investment, which is below the threshold return assumed in this analysis. This would indicate that the project would not be considered viable under the assumptions used, with the viability gap approximately 18.3% of total cost.

MEASURES OF RETURN:	
Indicated Value @ Stabilization	$4,145,679
Value/Cost	123%
Return on Investment (ROI)	9.8%
Return on Sales (ROS)	N/A
Internal Rate of Return	78.7%
Modified Internal Rate of Return @ 8% Reinventment	46.9%
ESTIMATION OF VIABILITY GAP	
Targeted Return on Sales	15.00%
Calculated ROS	N/A
Calculated Gap-Condos	$0
Targeted Return on Investment (ROI)	12.0%
Calculated ROI	9.8%
Calculated Gap-Income Components	$619,669
Overall Gap as % of Development Cost	18.3%

6. Site Three: Malone Site



Site three is located south of Bonney Watson, running south to East Pine. The site is under the ownership of Mike Malone and First Christian Church (which owns an inactive facility at the northern edge of the site.) If assembled, the site represents 46,080 square feet, with substantial frontage on Broadway, Nagle and Pine. The current assessed value for the property is $5,557,600, reflecting a price of just over $120 per square foot. This price reflects relatively high values for the existing church, as well as the retail building at 900 E. Pine. The zoning on this property is NC3-40.

The site at the southern edge of the study area, and is immediately east of the Community College. The Bobby Morris Playfield is east of the site. The concept modeled for this site includes rental apartments, with retail along Broadway and Pine. The site has a grade differential, which should allow for a single level of parking accessed from Nagle to be provided cost effectively. Two development programs were assumed for the site.

Alternative A

This alternative assumed a rental residential program, over ground floor parking and retail space. The parking would be accessed from Nagle, taking advantage of the grade differential. The program includes 111 rental apartment units, 167 parking spaces and 11,560 square feet of ground floor retail facing Broadway and Pine. The following is a summary of the returns associated with this alternative under our assumptions:

Alternative A

MEASURES OF RETURN:	
Indicated Value @ Stabilization	$20,155,672
Value/Cost	87%
Return on Investment (ROI)	6.9%
Return on Sales (ROS)	N/A
Internal Rate of Return	15.9%
Modified Internal Rate of Return @ 8% Reinventment	14.8%
ESTIMATION OF VIABILITY GAP	
Targeted Return on Sales	15.00%
Calculated ROS	N/A
Calculated Gap-Condos	$0
Targeted Return on Investment (ROI)	12.0%
Calculated ROI	6.9%
Calculated Gap-Income Components	$9,779,038
Overall Gap as % of Development Cost	42.1%

Alternative A generates a return on investment of 6.9%, indicating a viability gap of over $9.7 million for the project. The overall viability gap represents 42.1% of total estimated project cost. The assumption of rental apartments in this program significantly reduces financial returns. If the program is changed to assume a 65' height limit, the return on this development program increases substantially, but it still remains far from viable under our assumptions.

Alternative B

Alternative B on this site assumed condominiums for the residential component of the program. Our analysis indicates that this project would be close to viable, with the condominium sales program providing a solid return. The project's location relative to the community college led to an assumption of reduced achievable sales prices vis-à-vis the alternative sites evaluated.

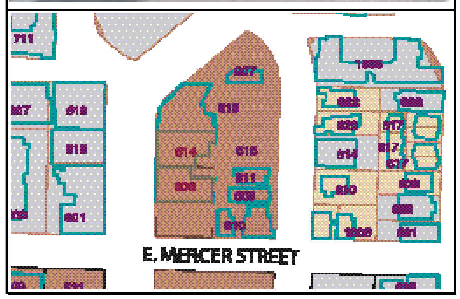
Alternative B

MEASURES OF RETURN:	
Indicated Value @ Stabilization	$2,262,197
Value/Cost	113%
Return on Investment (ROI)	5.9%
Return on Sales (ROS)	17.6%
Internal Rate of Return	10.6%
Modified Internal Rate of Return @ 8% Reinventment	10.2%
ESTIMATION OF VIABILITY GAP	
Targeted Return on Sales	15.00%
Calculated ROS	17.58%
Calculated Gap-Condos	($646,062)
Targeted Return on Investment (ROI)	12.0%
Calculated ROI	5.9%
Calculated Gap-Income Components	$1,569,873
Overall Gap as % of Development Cost	3.3%

As with Alternative A, a development program with an additional story of residential development was modeled, assuming an increase in allowable height to 65'. As shown in the following table, this produced a viable project as modeled.

MEASURES OF RETURN:	
Indicated Value @ Stabilization	$2,262,197
Value/Cost	122%
Return on Investment (ROI)	5.6%
Return on Sales (ROS)	28.2%
Internal Rate of Return	9.1%
Modified Internal Rate of Return @ 8% Reinventment	9.0%
ESTIMATION OF VIABILITY GAP	
Targeted Return on Sales	15.00%
Calculated ROS	28.18%
Calculated Gap-Condos	($3,945,890)
Targeted Return on Investment (ROI)	12.0%
Calculated ROI	5.6%
Calculated Gap-Income Components	$1,747,434
Overall Gap as % of Development Cost	-6.6%

7. Site Four: Diamond Parking/Fortuna Sequitur/Jones Family



This site reflects a relatively complex assemblage of ten properties, most of which are considered to be currently under-improved. The site is just under 58,000 square feet, and includes a surface parking lot, retail stores, residences and a gas station. The southeast portion of the site is zoned L-3, while the remainder is zoned NC3-40. Current assessed value for the properties is $6,686,700, reflecting a value of $115.31 per square foot.

The surface parking lot, owned and operated by Diamond, is considered to provide an important service to the district, and loss of this parking should be considered to represent a significant cost to the district.

The program modeled on this site is a mixed-use development with ground floor retail, podium parking accessed from 10th and two floors of residential development on the eastern half and three floors on the western half. Our analysis assumed that the units would be marketed as condominiums. The location of this block is exceptional, with views available from the upper floors. The program would yield a total of 128 units. A parking ratio of 1.5 spaces per unit was assumed.

The following is a summary of the financial returns associated with this scenario as modeled:

MEASURES OF RETURN:	
Indicated Value @ Stabilization	$5,184,201
Value/Cost	120%
Return on Investment (ROI)	7.4%
Return on Sales (ROS)	24.8%
Internal Rate of Return	19.3%
Modified Internal Rate of Return @ 8% Reinventment	17.3%
ESTIMATION OF VIABILITY GAP	
Targeted Return on Sales	15.00%
Calculated ROS	24.84%
Calculated Gap-Condos	($2,829,692)
Targeted Return on Investment (ROI)	12.00%
Calculated ROI	7.4%
Calculated Gap-Income Components	$2,152,992
Overall Gap as % of Development Cost	-2.0%

As modeled, this project indicated a strong return for the condominium component, while the commercial returns were somewhat weak. Under these assumptions, the project would be considered viable.

IX. Glossary of Terms

Capitalization Rate or Cap Rate – The rate of return used to derive the capital value of an income stream. The value of a real estate asset is commonly set on the basis of dividing net operating income (NOI) by a capitalization rate.

Debt Coverage Ratio – Defined as net operating income divided by annual debt service. This measure is often used as an underwriting criteria for income property mortgage loans, and limits the amount of debt that can be borrowed. Standard minimum debt coverage ratios would be in the 1.20 to 1.30 range. A debt coverage ratio of 1.20 indicates that in your first year of stabilized occupancy, your net operating income (NOI, gross income less expenses) is equal to 120% of your debt service requirements (principal and interest).

Discounting – The process of estimating the present value of an income stream by reducing expected cash flow to reflect the time value of money. A Discount Rate is a compound interest rate used to convert future income to a present value. The higher the discount rate, the lower the present value of a future cash flow.

Equity – The interest or value that the owner has in real estate over and above the liens held against it.

Internal Rate of Return (IRR) – The true annual rate of earnings on an investment. Equates the value of cash returns with cash invested, considering the application of compound interest factors.

Modified Internal Rate of Return (MIRR) – Similar to an IRR, the MIRR considers both the cost of the investment and the interest received on reinvestment of cash. This measure of return recognizes that cash flows are reinvested at an alternative rate.

Net Operating Income (NOI) – Income from property after operating expenses have been deducted, but before deducting income taxes and financing expenses.

Net Present Value (NPV) – A method of determining whether expected performance of a proposed investment promises to be adequate. This measure discounts future cash flows into present dollars using a set discount rate.

Residual Value – The realized value of a fixed asset after costs associated with the sale. In this analysis, the residual value represents the capitalized value of the development at the end of the period less sales costs.

Return on Cost – Net operating income in the initial year, divided by total project cost. This measure is also commonly referred to as the going-in cap rate.

Return on Equity or Equity Yield Rate – The rate of return on the equity portion of an investment, taking into account periodic cash flow. In this analysis, the return on equity represents the initial rate of return, and is defined as the net cash flow after interest costs divided by the developer equity.

Return on Sales – Defined as net profit as a percent of net sales. This measure is most commonly used with for-sale development such as condominiums.

Tenant Improvements (TIs) – Those changes, typically to office, retail, or industrial property, to accommodate specific needs of a tenant. Include moving interior walls or partitions, carpeting or other floor covering, shelving, windows, toilets, etc. The cost of these is negotiated in the lease.

Triple-Net Lease – A lease in which the tenant is to pay all operating expenses of the property, the landlord receives a *net* rent. Operating expenses include taxes, utilities, insurance, repairs, janitorial services and license fees.

X. IMPACTS OF CENTRAL CITY REDEVELOPMENT

Redevelopment of underutilized parcels in a central city area pose significant impacts, mostly positive, for nearby neighborhoods and the affected jurisdiction. Following is a summary of major findings of the GARDNER JOHNSON mixed-use redevelopment impact analysis for the selected Broadway parcels.

Impacts of Residential Spending

New housing construction, as part of a central city redevelopment project, introduces potential for retail and other commercial growth as a result of spending by new residents. Central city retail, particularly restaurant, grocery store, and miscellaneous/general merchandise stores benefit the most from new residential development. The extent of new spending in the immediate vicinity can, however, does not represent net new growth, but rather largely existing activity diverted elsewhere and infrequently supports the scale of retail space typically developed in the mixed-use project.

To assess the specific economic benefits of residential redevelopment, an economic impact analysis was conducted to estimate permanent, annual household spending by central city mixed-use residents on retail, services and other industries. Following a technical definition of economic impact assessment, a summary of findings will be given regarding economic benefit of mixed-use redevelopment.

Economic Impacts Defined

Economic impact analysis seeks to assess changes in overall economic activity within a region as a result of a change in one or many specific activities. The ripple effect of a gain or loss in economic activity are identified as *Direct Impacts*, *Indirect Impacts* and *Induced Impacts*.

- *Direct Impacts:* The actual change in activity affecting a local economy. For example, spending by new central city residents at downtown businesses would be direct impacts.
- *Indirect Impacts:* The response of all other local businesses to the direct impact. For example, indirect impacts of household spending would be revenues generated for wholesale trade and transportation companies that supply central city retailers.
- *Induced Impacts:* The response of households affected by direct and indirect impacts. In the example, induced impacts would be the increase in all categories of spending by households newly employed by central city retailers or vendors serving those retailers.

To quantify economic impacts upon the central city Seattle economy, the IMPLAN economic model was utilized. Developed by the Forest Service to assist in land and resource management planning, IMPLAN is an economic impact model designed for analyzing the effects of any economic activity (employment, income/expenditures or business revenues) upon all other industries in an economic area.

Household Spending Impacts

The following table summarizes the economic benefits generated by residential redevelopment of the four sites as described in the Financial Feasibility Analysis above. Specifically, it was assumed that renter households would likely earn between $50,000 and $75,000, the prime affordability level for assumed apartments yielding an average of over $1.56 per square foot. Furthermore, it was assumed that owner households would likely earn between $75,000 and $100,000, the prime affordability level for assumed ownership units yielding $300 per square foot.[9] To the extent that households either renting or owning units modeled at each site, the following estimates are conservative. Detailed results for each site and development alternative are found in Appendix A.

SUMMARY OF HOUSEHOLD SPENDING IMPACT MODELING

ALL REDEVELOPMENT SITES

		New Households		Retail	Services	Other	Indirect	Induced	Total
	Alternative	Renter 1/	Owner 2/	Spending	Spending	Spending	Impact	Impact	Impact
Site 1	A	0	30	$367,697	$532,254	$783,189	$419,555	$412,675	**$2,515,370**
Site 1	B	0	71	$870,215	$1,259,667	$1,853,548	$992,946	$976,665	**$5,953,042**
Site 3	A	74	0	$690,415	$849,082	$1,401,613	$720,062	$726,212	**$4,387,384**
Site 3	B	0	74	$906,985	$1,312,892	$1,931,867	$1,034,901	$1,017,933	**$6,204,578**
Site 4	A	0	92	$1,127,603	$1,632,245	$2,401,781	$1,286,634	$1,265,538	**$7,713,800**

After taxes and retail leakage capture outside the central city Seattle market area, new retail spending ranges from nearly $368,000 to $1.1 million annually depending on the planned unit count and whether housing is rental or ownership. Combined with indirect and induced impacts of retail, services and other spending, new central city resident spending is estimated to create combined economic activity ranging from $2.5 million annually at Site One (Alternative A) to $7.7 million annually at Site Four (Alternative A).

Although total activity generated by potential new residents at each site is large, direct spending is largely a diversion of existing activity downtown to a new location. The majority of new residential units will likely draw households from elsewhere in the central city or within the metro area. An undetermined share of spending by those households was already captured by the central city due to location of employment or occasional visits to the central city. This will be absolutely true for households already residing within the market area. Households moving from elsewhere within the metro area will spend a greater share of their income downtown than previously, thus contributing an incremental contribution to overall downtown commerce.

[9] Affordability defined as monthly rent payment not exceeding 30% of monthly household income nor monthly mortgage payment exceeding 28% of monthly income assuming 10% down payment and a 30-year, fixed mortgage rate of 6.75%.

Viewed another way, *spending by households residing at potential redevelopment sites represent new commerce that can be better captured by businesses in the immediate vicinity of each site, including planned commercial space in each mixed-use project*. The following table summarizes gross, annual spending per household potentially captured by mixed-use retail at each site as well as nearby after taxes and retail leakage outside of the central city area. Nearby restaurants, car dealerships and service stations, and grocery stores stand to gain the most from new, proximate residential development.

ANNUAL CENTRAL CITY PER HOUSEHOLD SPENDING ON RETAIL AND SERVICES

Spending Category	Spending Per Household 1/ Renter	Owner
Building Materials & Gardening	$402	$579
General Merchandise Stores	$954	$1,418
Food Stores	$1,219	$1,450
Automotive Dealers & Service Stations	$1,281	$1,497
Apparel & Accessory Stores	$505	$756
Furniture & Home Furnishings Stores	$397	$628
Eating & Drinking	$2,748	$3,651
Miscellaneous Retail	$1,823	$2,277
Retail	**$9,330**	**$12,257**
Services	**$11,474**	**$17,742**

1/ Downtown spending only after taxes.

Mixed-Use Retail Support

Residential spending captured by the central city market area falls short of supporting potential mixed-use retail space as the following table indicates. By applying standard supportable retail sales figures per-square-foot from the Urban Land Institute to estimated central city retail spending by new project residents, total supportable retail space demand ranges from as little as 1,754 square feet annually at Site One (Alternative A) to 5,380 square feet annually at Site Seven (Alternative A).

Assuming households at each site patronized *only those retailers located within the same mixed-use project*, spending by those households would only support an average of 29% of potential retail space at each site. In reality, these households will patronize other central city market area businesses nearby, thus causing mixed-use retail space to further rely on daytime office space population and other downtown retail market traffic.

SUPPORTABLE RETAIL SPACE DEMAND FROM RESIDENTIAL REDEVELOPMENT

		Retail Space Demand 2/				
	Sales Support	Site One		Site Three		Site Four
Retail Type	Factor 1/	Alt. A	Alt. B	Alt. A	Alt. B	Alt. A
Building Materials & Gardening	$127	136	322	233	336	418
General Merchandise Stores	$150	284	671	471	700	870
Food Stores	$365	119	282	247	294	366
Automotive Dealers & Service Stations	$212	212	502	448	523	651
Apparel & Accessory Stores	$183	124	293	204	306	380
Furniture & Home Furnishings Stores	$206	91	216	143	226	280
Eating & Drinking	$226	484	1,145	898	1,193	1,483
Miscellaneous Retail	$225	304	720	600	750	932
Total	**$220**	**1,754**	**4,152**	**3,245**	**4,327**	**5,380**

1/ Average annual sales per square foot of retail space supportable by retail type. From Urban Land Institute, 1997.
2/ The quotient of annual resident spending under each Site and Alternative (Appendix A) and the sales support factor.

Other Impacts of Broadway Redevelopment

Other aspects of mixed-use, central city redevelopment pose potential impacts to the immediate vicinity of the Broadway redevelopment sites. The following is a summary of each.

Office Employment

Two redevelopment sites, Site One and Site Five, could see potential office space development as a mixed-use component of up to 30,720 square feet and 11,644 square feet, respectively.

POTENTIAL EMPLOYMENT IN MIXED-USE OFFICE COMPONENT

Site & Alternative		Office Space (SF)	FTE Jobs per SF 1/	Office Jobs (FTE) 2/
Site One	Alternative A	30,720	260	118
Site Two	Alternative A	11,644	260	45

1/ Average employment density for office-utilizing industries. *1999 Urban Employment Density Study*, Metropolitan Services District (Metro).

2/ The quotient of potential office space and average employment density.

Assuming typical urban employment densities for office-utilizing employment, Site One and Site Two could see 118 and 45 FTE office jobs on an annual basis, respectively. Finance, insurance, real estate, services and communications are the most likely industries to utilize such space. The resulting industries and employment opportunities will help to support demand for the residential component of the mixed-use potential at Site One.

Like retail space, the scope of office space is large enough that it must rely on market strength from working households residing elsewhere besides the mixed-use project. Site One development poses a likely maximum of 30 labor force participants residing in potential condominium units. Site Two office space must rely completely on workers from elsewhere in or outside of the market area. This will in turn put additional demand on parking capacity for households, employees and customers not living on-site. Parking impacts are further discussed below.

Property Value and Tax Impacts

A guiding principal of urban redevelopment policy is to spur property values and interest in development and redevelopment of other underutilized parcels resulting in growing assessed value. Generally speaking, successful redevelopment achieves this goal as developers seek parcels whereby value can be created by new or enhanced uses. In a dense urban environment, increased property values on redevelopment parcels serve as market indicators and precedents for further redevelopment nearby. Unlike smaller cities where significantly lower-priced parcels are reasonably proximate, increased value in Seattle's close-in neighborhoods will not serve as a development barrier for nearby parcels, diverting development elsewhere. An increased property tax base generally results.

However, depending upon public policy tools, realization of increased property tax flow may vary:

- *Property Tax Abatement:* Jurisdictions, particularly in Washington where urban renewal districting is not an available policy tool, can suspend property tax on parcels to spur redevelopment interest. Revenue postponement typically occurs over a ten-year period.

- *Urban Renewal Districts:* Jurisdictions outside of Washington utilize tax increment financing (TIF) to spur redevelopment activity. Property taxes are held constant while resulting increased value is reinvested in the district itself.

- *Tax Limit Initiatives:* Recent initiatives in Washington limiting growth in property tax revenue have placed a premium on new construction and/or redevelopment. Revenue growth limits effectively limit assessed value growth of existing property and improvements, therefore new construction and redevelopment represent the largest, unconstrained potential for new property tax revenue flows. Redevelopment absolutely increases property tax revenue potential above limited assessed value growth of underutilized property.

Parking Impacts

As demonstrated above, commercial components of mixed-use redevelopment must rely on households and labor from elsewhere within or outside the market area. As a result, central city redevelopment of the selected parcels will undoubtedly place upward pressure on need for parking. In fact, a survey of central city housing and mixed-use redevelopment projects throughout the Pacific Northwest revealed that need for additional parking capacity was a common issue[10]. Residential development is particularly sensitive to this point; adequate secure parking, whether or not immediately on-site, is a critical amenity and the perception that parking is in adequate will particularly detract from the marketability of planned residential development.

In the State of Washington, somewhat comparable projects in Redmond, Renton and Vancouver were developed as part of a greater parking enhancement strategy:

- Overlake Station in Redmond was developed along with a new Metro park-and-ride lot with a considerable share of space reserved for development residents.

- Metropolitan Place in Renton included 240 spaces in a two-story parking garage for 90 housing units and 4,000 square feet of retail space.

- Heritage Center in Vancouver added 137 residential units and 14,000 square feet of retail along with 808 parking spaces.

Short of tax abatement programs and the lack of urban renewal district policy tools, jurisdictions effectively subsidize adequate parking to spur mixed-use redevelopment. Redevelopment with a significant increase in commercial space affords the opportunity for jurisdictions to mitigate current and future parking capacity issues.

Unlike the projects listed above, however, the Broadway subject sites are located in an already-dense urban environment. Parking issues will be somewhat less critical as potential projects have a greater pool of nearby households from which to draw neighborhood commerce and employment.

Infrastructure Impacts

The limited scale of residential redevelopment at the selected parcels will not likely place significant burden on water and sewer capacity, the two most critical infrastructure needs besides parking. Stormwater drainage policy in central city and central city areas may be the most critical impact, depending upon the requirement of detention ponds as in Redmond. Alternatively, redevelopment of underutilized parcels enhances use of existing infrastructure investment and helps to prevent the need to extend water, sewer and roads, among others, to yet undeveloped areas.

[10] *Salem Core Area Housing Study*, JOHNSON GARDNER, et. al., June 4, 2002.

Achievement of Public Policy Goals

Enhanced use of central city parcels, particularly with successful residential development, can help to achieve public policy goals. Most common among these are:

- *Growth Management:* Capture of residential growth by redevelopment is a key goal of growth management whereby suburban expansion into urban growth areas is reduced. Successful neighborhood retail and office/employment opportunity can also reduce road and public transport use by existing neighborhood residents and new residents to more distant locations.
- *Safety Impacts:* Underutilized properties, particularly with deferred maintenance, can obviously become public safety concerns for neighborhoods. Redevelopment, particularly with crime prevention through environmental design (CPTED) policies, can have a safety-enhancing effect by encouraging more attractive spaces and greater, regular traffic and pedestrian flow, which in turn helps reduce fear and incidence of crime.
- *Enhancement of Other Public Investment:* Nearby cultural offerings such as museums and theaters, sports facilities and other public investments can be enhanced by residential redevelopment within central city.

- *Encouraging Adoption of Goals for the Neighborhood Plan:*
The Broadway Business Improvement Association (BIA) has expressed an interest in conducting an in-depth analysis of opportunities to increase redevelopment potential on Broadway. The Neighborhood Plan supports this effort, particularly in the lower Broadway area (south of E Olive Way/E John Street) where higher density zones would be compatible with existing adjacent zones and would be appropriate to the transit oriented development area around the proposed south Capitol Hill Sound Transit station.

APPENDIX A – DETAILED SPENDING IMPACT ESTIMATES

SITE ONE – ALTERNATIVE A

Industry	Direct	Indirect	Induced	Total
	Impacts			
Building Materials & Gardening	*$17,366*	*$232*	*$3,361*	*$20,959*
General Merchandise Stores	*$42,528*	*$166*	*$8,171*	*$50,865*
Food Stores	*$43,506*	*$189*	*$9,785*	*$53,480*
Automotive Dealers & Service Stations	*$44,923*	*$1,276*	*$10,191*	*$56,390*
Apparel & Accessory Stores	*$22,672*	*$141*	*$4,390*	*$27,203*
Furniture & Home Furnishings Stores	*$18,851*	*$189*	*$3,556*	*$22,596*
Eating & Drinking	*$109,529*	*$3,242*	*$22,903*	*$135,674*
Miscellaneous Retail	*$68,321*	*$630*	*$14,628*	*$83,579*
Retail	$367,697	$6,065	$76,986	$450,747
Services	$532,254	$128,210	$127,091	$787,555
All Other Household Spending	$783,189	$285,280	$208,599	$1,277,068
TOTAL SPENDING IMPACTS	$1,683,140	$419,555	$412,675	$2,515,370

SITE ONE – ALTERNATIVE B

Industry	Direct	Indirect	Induced	Total
	Impacts			
Building Materials & Gardening	*$41,100*	*$549*	*$7,954*	*$49,604*
General Merchandise Stores	*$100,649*	*$394*	*$19,338*	*$120,382*
Food Stores	*$102,964*	*$448*	*$23,158*	*$126,570*
Automotive Dealers & Service Stations	*$106,318*	*$3,019*	*$24,120*	*$133,456*
Apparel & Accessory Stores	*$53,656*	*$334*	*$10,389*	*$64,380*
Furniture & Home Furnishings Stores	*$44,614*	*$447*	*$8,416*	*$53,477*
Eating & Drinking	*$259,220*	*$7,672*	*$54,203*	*$321,095*
Miscellaneous Retail	*$161,694*	*$1,490*	*$34,620*	*$197,804*
Retail	$870,215	$14,353	$182,199	$1,066,768
Services	$1,259,667	$303,431	$300,782	$1,863,880
All Other Household Spending	$1,853,548	$675,162	$493,684	$3,022,394
TOTAL SPENDING IMPACTS	$3,983,431	$992,946	$976,665	$5,953,042

SITE TWO – ALTERNATIVE A

Industry	Direct	Impacts Indirect	Induced	Total
Building Materials & Gardening	*$29,759*	*$395*	*$5,915*	*$36,068*
General Merchandise Stores	*$70,626*	*$283*	*$14,379*	*$85,288*
Food Stores	*$90,186*	*$322*	*$17,220*	*$107,727*
Automotive Dealers & Service Stations	*$94,770*	*$2,169*	*$17,934*	*$114,873*
Apparel & Accessory Stores	*$37,390*	*$240*	*$7,725*	*$45,355*
Furniture & Home Furnishings Stores	*$29,413*	*$321*	*$6,258*	*$35,992*
Eating & Drinking	*$203,335*	*$5,686*	*$40,304*	*$249,325*
Miscellaneous Retail	*$134,937*	*$1,071*	*$25,742*	*$161,749*
Retail Trade	$690,415	$10,486	$135,477	$836,378
Services	$849,082	$218,401	$223,650	$1,291,134
All Other Household Spending	$1,401,613	$491,174	$367,085	$2,259,873
TOTAL SPENDING IMPACTS	$2,941,110	$720,062	$726,212	$4,387,384

SITE TWO – ALTERNATIVE B

Industry	Direct	Impacts Indirect	Induced	Total
Building Materials & Gardening	*$42,837*	*$573*	*$8,291*	*$51,700*
General Merchandise Stores	*$104,902*	*$411*	*$20,155*	*$125,468*
Food Stores	*$107,314*	*$467*	*$24,137*	*$131,919*
Automotive Dealers & Service Stations	*$110,810*	*$3,146*	*$25,139*	*$139,095*
Apparel & Accessory Stores	*$55,923*	*$349*	*$10,828*	*$67,100*
Furniture & Home Furnishings Stores	*$46,499*	*$465*	*$8,772*	*$55,737*
Eating & Drinking	*$270,173*	*$7,996*	*$56,493*	*$334,662*
Miscellaneous Retail	*$168,526*	*$1,553*	*$36,083*	*$206,162*
Retail Trade	$906,985	$14,960	$189,898	$1,111,843
Services	$1,312,892	$316,252	$313,491	$1,942,635
All Other Household Spending	$1,931,867	$703,690	$514,544	$3,150,101
TOTAL SPENDING IMPACTS	$4,151,745	$1,034,901	$1,017,933	$6,204,578

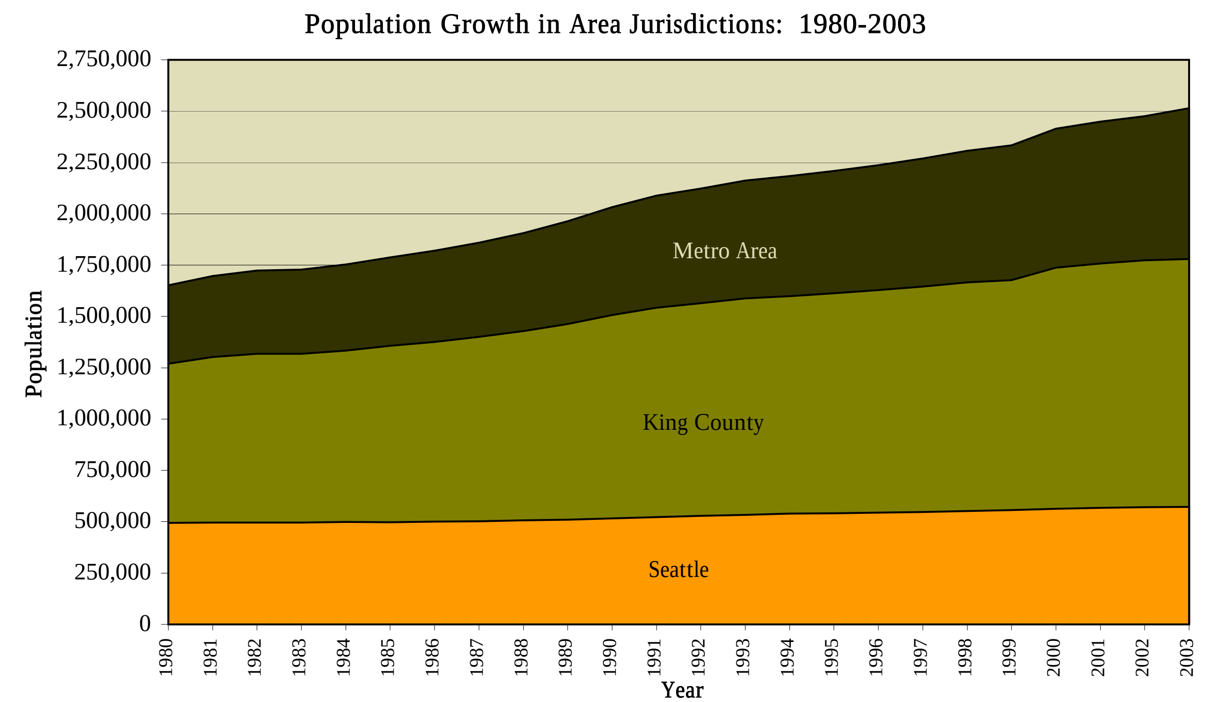
SITE THREE – ALTERNATIVE A

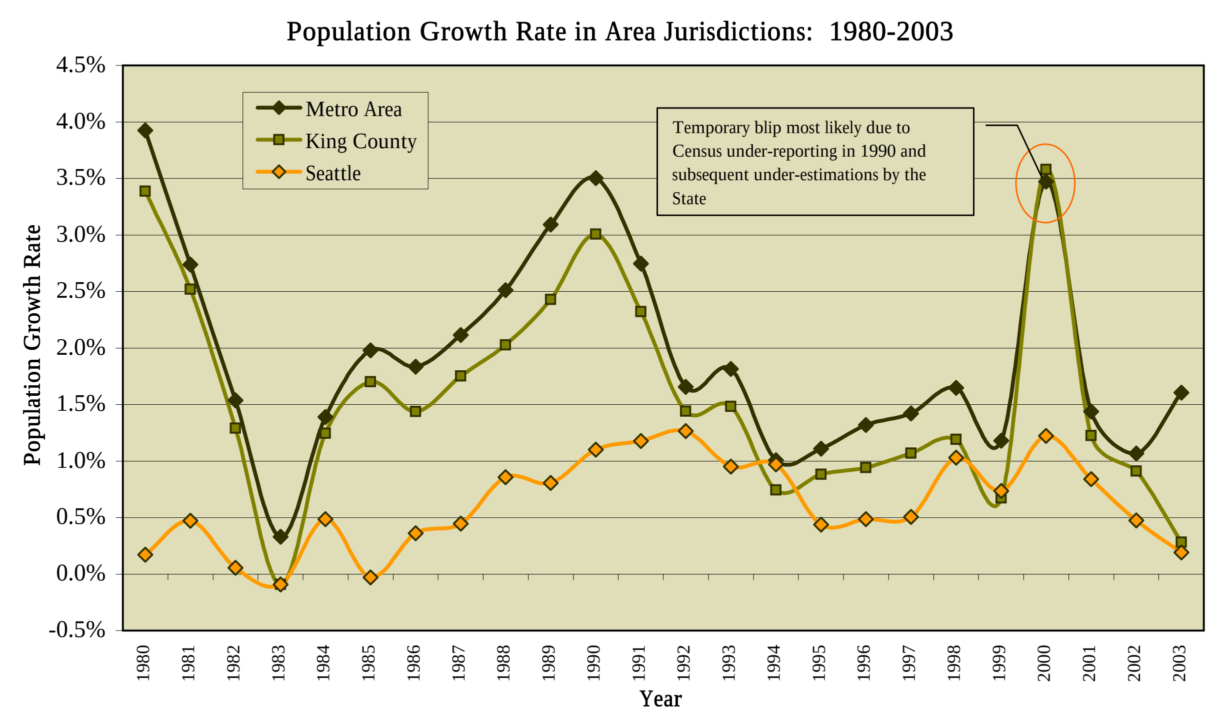
	Impacts			
Industry	Direct	Indirect	Induced	Total
Building Materials & Gardening	*$53,256*	*$712*	*$10,307*	*$64,275*
General Merchandise Stores	*$130,419*	*$511*	*$25,058*	*$155,987*
Food Stores	*$133,418*	*$581*	*$30,008*	*$164,007*
Automotive Dealers & Service Stations	*$137,764*	*$3,912*	*$31,253*	*$172,929*
Apparel & Accessory Stores	*$69,526*	*$433*	*$13,462*	*$83,422*
Furniture & Home Furnishings Stores	*$57,810*	*$579*	*$10,906*	*$69,295*
Eating & Drinking	*$335,890*	*$9,941*	*$70,235*	*$416,066*
Miscellaneous Retail	*$209,519*	*$1,931*	*$44,860*	*$256,310*
Retail Trade	$1,127,603	$18,599	$236,089	$1,382,291
Services	$1,632,245	$393,178	$389,745	$2,415,168
All Other Household Spending	$2,401,781	$874,857	$639,704	$3,916,342
TOTAL SPENDING IMPACTS	$5,161,628	$1,286,634	$1,265,538	$7,713,800

EXHIBITS

EXHIBIT 1

SUMMARY OF RECENT AND PROJECTED POPULATION TRENDS
SEATTLE METROPOLIAN AREA
1980-2003





SOURCE: Washington State Employment Security, State of Washington Office of Financial Management, Puget Sound Regional Council, and Gardner Johnson

EXHIBIT 2

GENERAL DEMOGRAPHIC PROFILE
BROADWAY MARKET AREA

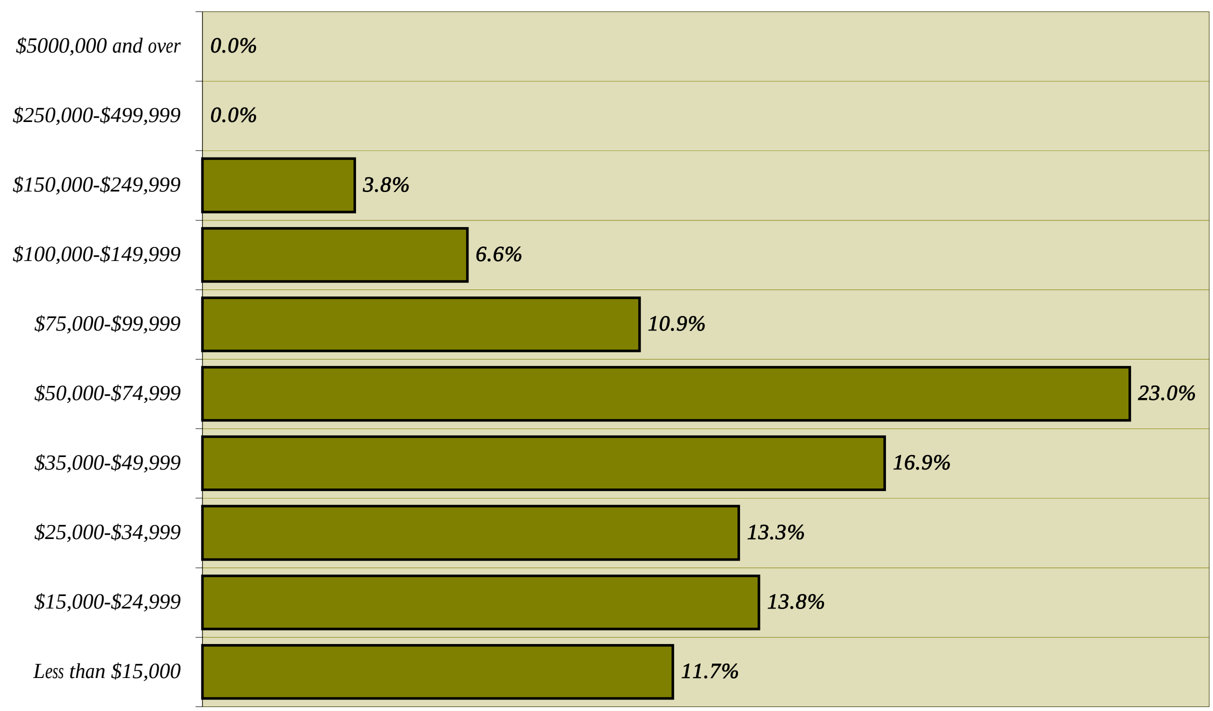
Broadway: Population, Households, Families, and Year-Round Housing Units

	1990 (Census)	2002 (Est.)	Growth Rate 90-02	2007 (Proj.)	Growth Rate 02-07
Population	782	908	1.3%	955	1.0%
Households	538	607	1.0%	635	0.9%
Families	74	77	0.3%	78	0.3%
Housing Units	572	629	0.8%	656	0.8%
Household Size	1.43	1.47		1.48	

Income

	1990 (Census)	2002 (Est.)	Grwth Rate 90-02	2007 (Proj.)	Growth Rate 02-07
Per Capita ($)	$15,992	$33,766	6.4%	$44,490	5.7%
Average HH ($)	$23,200	$50,909	6.8%	$68,619	6.2%
Median HH ($)	$19,356	$43,864	7.1%	$61,804	7.1%

Distribution of Households by Annual Income (2002)



Source: Claritas and Gardner Johnson

EXHIBIT 3

GENERAL DEMOGRAPHIC PROFILE
CAPITOL HILL MARKET AREA

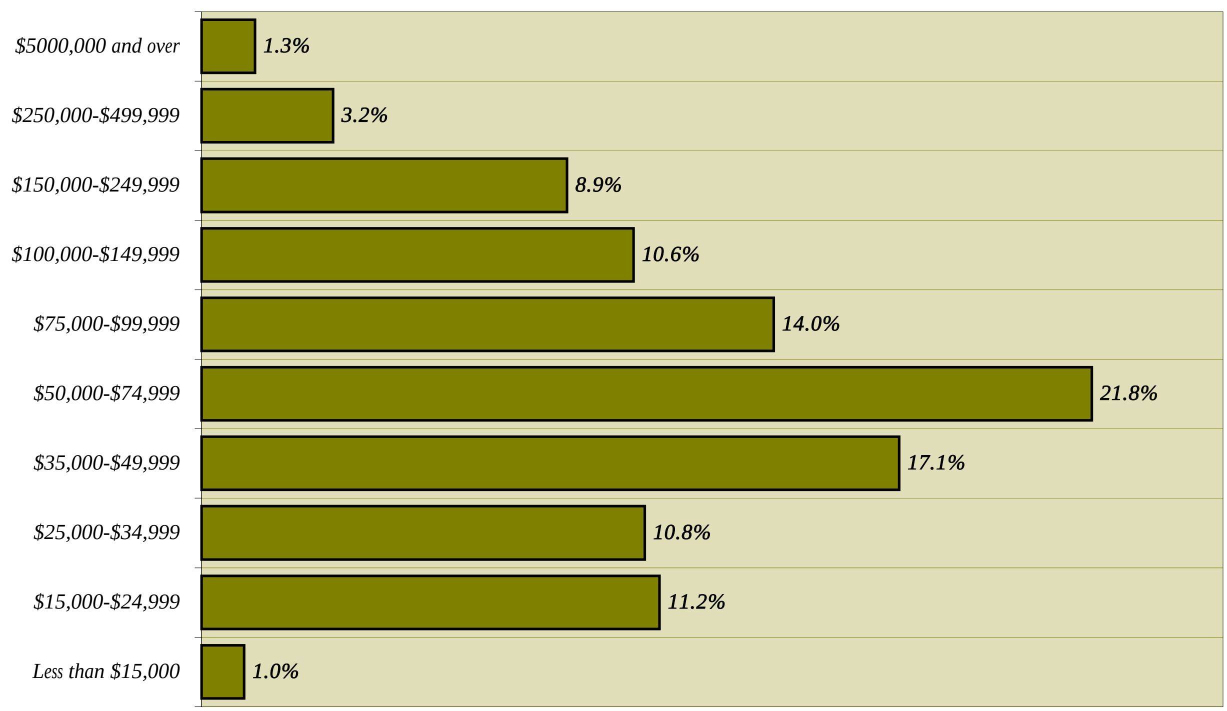
Capitol Hill: Population, Households, Families, and Year-Round Housing Units

	1990 (Census)	2002 (Est.)	Growth Rate 90-02	2007 (Proj.)	Growth Rate 02-07
Population	25,232	26,741	0.5%	27,815	0.8%
Households	14,729	15,891	0.6%	16,543	0.8%
Families	3,769	3,755	0.0%	3,841	0.5%
Housing Units	15,498	16,457	0.5%	17,128	0.8%
Household Size	1.69	1.66		1.66	

Income

	1990 (Census)	2002 (Est.)	Grwth Rate 90-02	2007 (Proj.)	Growth Rate 02-07
Per Capita ($)	$20,986	$47,901	7.1%	$65,661	6.5%
Average HH ($)	$35,784	$79,845	6.9%	$109,707	6.6%
Median HH ($)	$24,083	$54,716	7.1%	$78,078	7.4%

Distribution of Households by Annual Income (2002)



Source: Claritas and Gardner Johnson

EXHIBIT 4

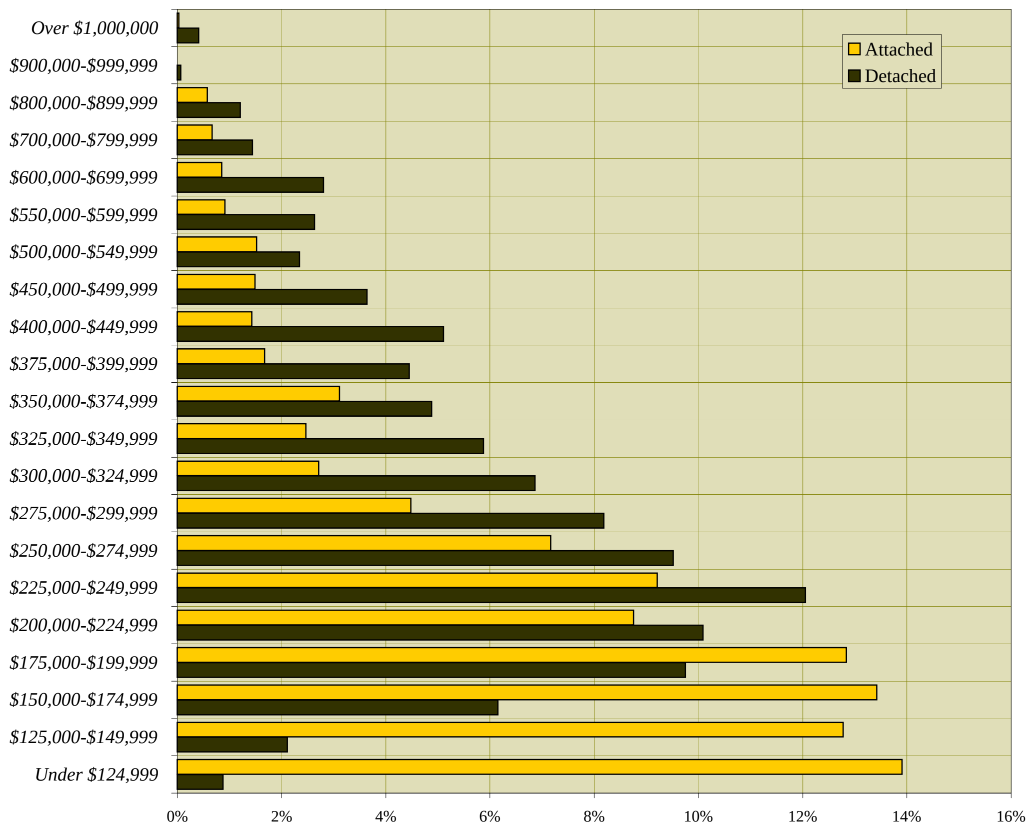
SUMMARY OF RECENT SALES ACTIVITY
OWNERSHIP RESIDENTIAL MARKET
SEATTLE/BELLEVUE/EVERETT PMSA
Third Quarter, 2003

Price Range		Total Sales 1/ Detached	Total Sales 1/ Attached	Distribution
Under	$124,999	428	147	3.6%
$125,000 -	$149,999	593	131	4.6%
$150,000 -	$174,999	1,003	217	7.7%
$175,000 -	$199,999	1,460	281	11.0%
$200,000 -	$224,999	1,237	276	9.6%
$225,000 -	$249,999	1,461	341	11.4%
$250,000 -	$274,999	936	288	7.8%
$275,000 -	$299,999	1,049	203	7.9%
$300,000 -	$324,999	618	103	4.6%
$325,000 -	$349,999	571	163	4.7%
$350,000 -	$374,999	953	196	7.3%
$375,000 -	$399,999	698	112	5.1%
$400,000 -	$449,999	521	114	4.0%
$450,000 -	$499,999	317	127	2.8%
$500,000 -	$549,999	237	94	2.1%
$550,000 -	$599,999	239	61	1.9%
$600,000 -	$699,999	190	93	1.8%
$700,000 -	$799,999	145	22	1.1%
$800,000	$899,999	121	20	0.9%
$900,000	$999,999	8	1	0.1%
$1M	& Over	102	10	0.7%
		--------------	--------------	--------------
Total		12,777	2,989	100%

Total Sales Volume 2/	Detached	Attached	Total
3rd Quarter-03	12,777	3,000	15,777
2nd Quarter-03	12,777	3,000	15,777
1st Quarter-03	10,394	2,368	12,762
4th Quarter-02	12,767	3,109	15,876
3rd Quarter-02	9,824	2,572	12,396
Annual Percent Increase (Decrease)	**30.1%**	**16.6%**	**27.3%**

Average Sales Price -- New Construction		3Q-03	3Q-02	Percent Change
King County 3/				
	Detached	$264,294	$399,982	***-33.9%***
	Attached	$248,539	$253,777	***-2.1%***
Snohomish County				
	Detached	$263,734	$277,507	***-5.0%***
	Attached	$258,351	$176,612	***46.3%***

DISTRIBUTION OF SALES BY PRICE RANGE

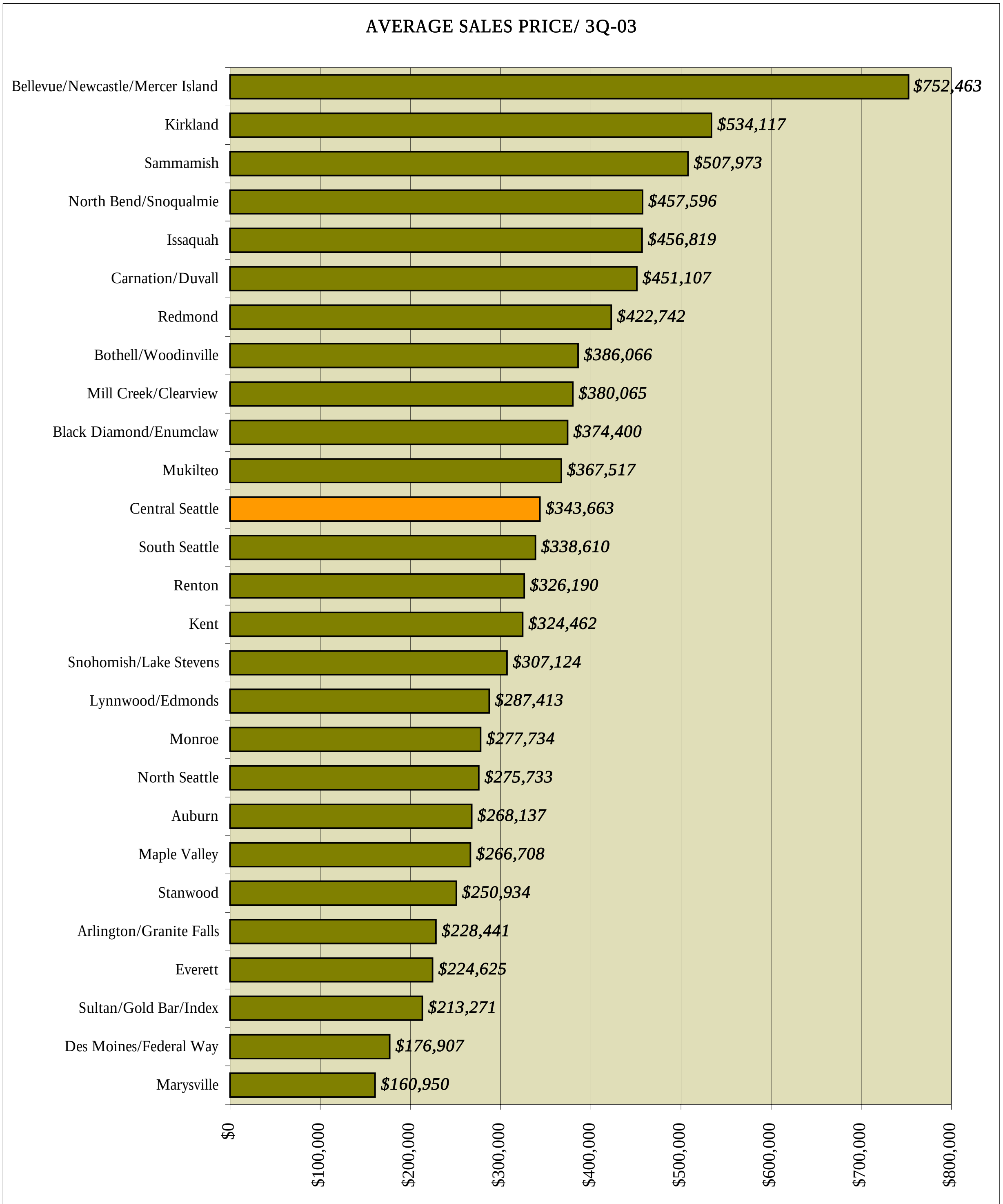


1/ Total of all sales, New Construction and Resales.
2/ Total of all sales, New Construction and Resales, for King and Snohomish County subregions only.
3/ Mountlake Terrace is included in King County, as part of the North Seattle subregion.

SOURCE: Gardner Johnson LLC.

EXHIBIT 5

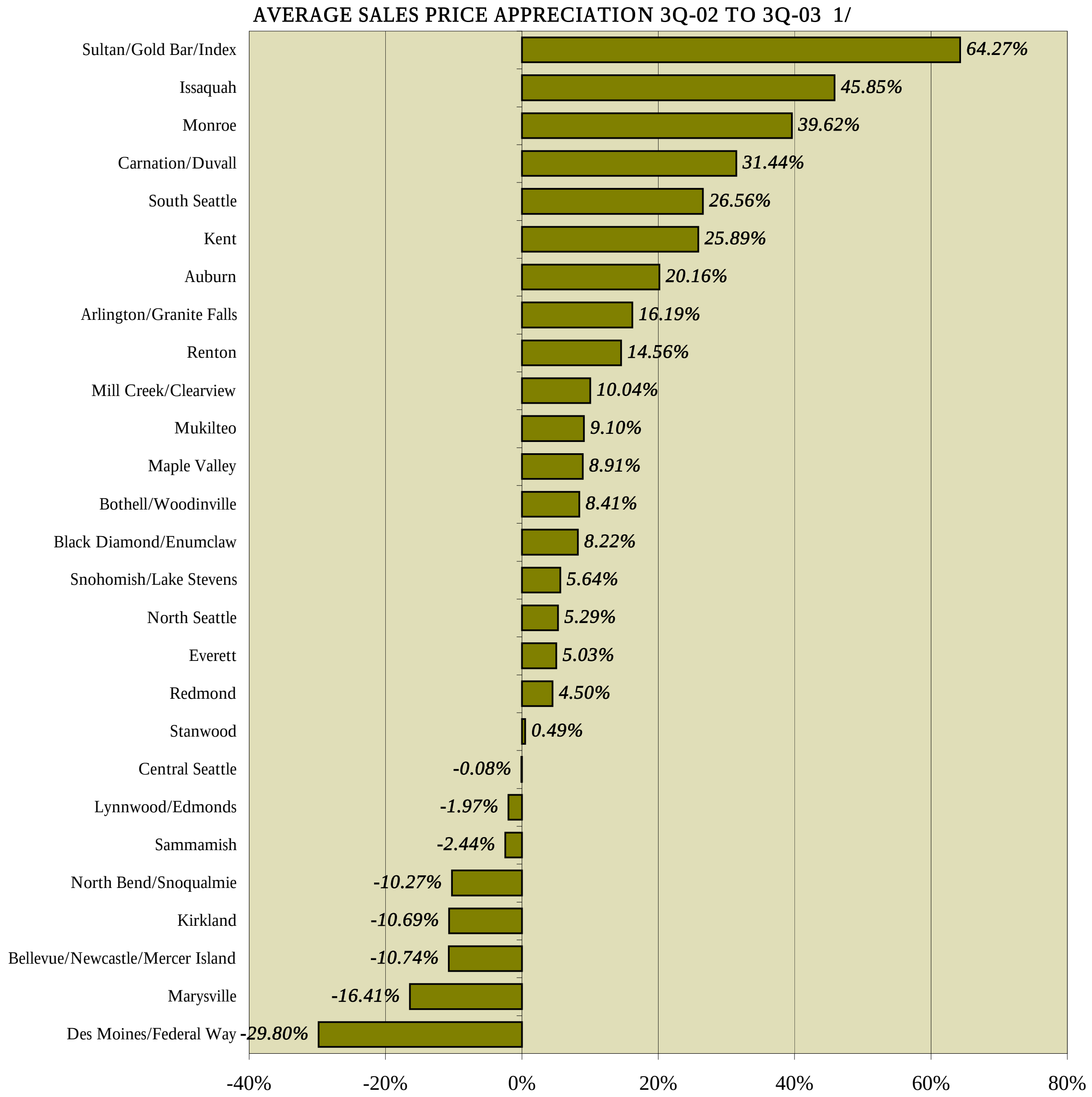
RESIDENTIAL SALES PRICE TRENDS
BY SUBREGION



SOURCE: NWMLS and Gardner Johnson LLC.

EXHIBIT 5 (cont.)

RESIDENTIAL SALES PRICE TRENDS
BY SUBREGION



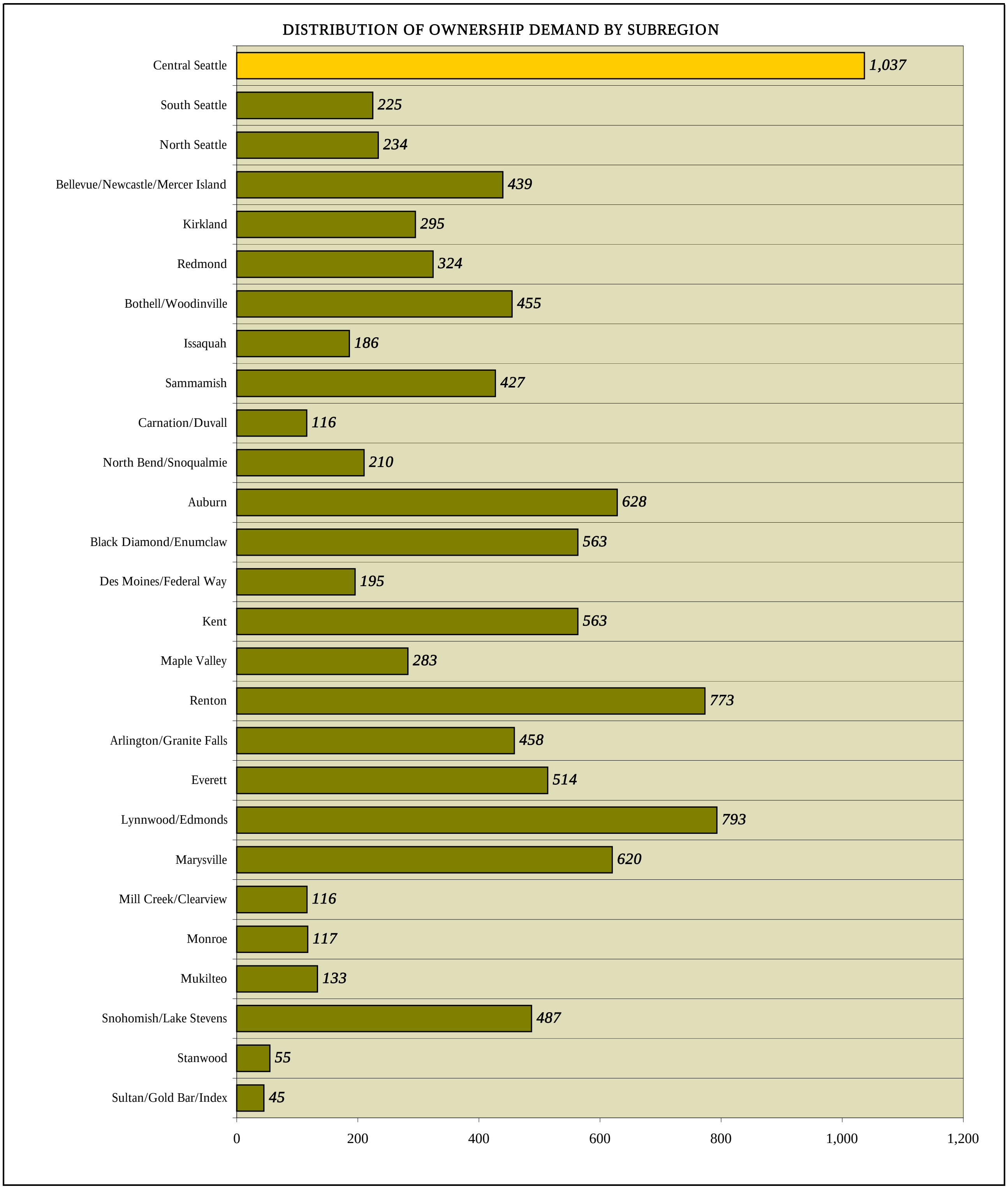
SOURCE: NWMLS and Gardner Johnson LLC.

EXHIBIT 6

PROJECTED DISTRIBUTION OF OWNERSHIP DEMAND
BY AFFORDABLE PRICE RANGE AND SUBREGION
SEATTLE/BELLEVUE/EVERETT PMSA
Second Quarter, 2003 through Second Quarter, 2004

Geographic Subregion	Projected Net New Demand	Percent of Total	Demand by Price Range: Under - $150,000	$150,000 - $249,999	$250,000 - $399,999	$400,000 - $599,999	$600,000 - $799,999	Over $800,000
Seattle								
Central Seattle	1,037	10.6%	103	327	414	120	35	39
South Seattle	225	2.3%	13	84	104	15	6	3
Northend								
North Seattle	234	2.4%	14	86	102	21	6	5
Eastside								
Bellevue/Newcastle/Mercer Island	439	4.5%	43	87	81	98	61	69
Kirkland	295	3.0%	13	39	94	77	44	27
Redmond	324	3.3%	19	82	134	59	13	16
Sammamish	427	4.4%	21	94	174	84	32	23
Bothell/Woodinville	455	4.7%	24	121	227	56	9	18
Issaquah	186	1.9%	24	46	69	30	9	8
Carnation/Duvall	116	1.2%	4	22	62	16	10	1
North Bend/Snoqualmie	210	2.2%	28	36	85	40	8	15
Southend								
Auburn	628	6.4%	74	304	205	24	10	10
Black Diamond/Enumclaw	27	0.3%	2	8	10	3	2	0
Des Moines/Federal Way	195	2.0%	13	99	43	21	15	5
Kent	563	5.8%	33	265	210	36	10	8
Maple Valley	283	2.9%	20	113	111	16	5	19
Renton	773	7.9%	54	242	392	64	10	11
Snohomish County								
Arlington/Granite Falls	458	4.7%	42	299	91	24	1	2
Everett	514	5.3%	78	297	105	29	2	4
Lynnwood/Edmonds	793	8.1%	92	291	305	70	16	18
Marysville	620	6.4%	57	392	118	47	4	3
Mill Creek/Clearview	116	1.2%	4	15	52	40	1	3
Monroe	117	1.2%	43	44	25	1	2	0
Mukilteo	133	1.4%	5	19	89	16	3	0
Snohomish/Lake Stevens	487	5.0%	42	198	202	34	5	6
Stanwood	55	0.6%	4	26	16	2	4	0
Sultan/Gold Bar/Index	45	0.5%	8	32	2	0	0	0
Total-Metropolitan Area	9,756		877	3,668	3,522	1,043	323	313

EXHIBIT 6 (cont.)



SOURCE: Gardner Johnson LLC

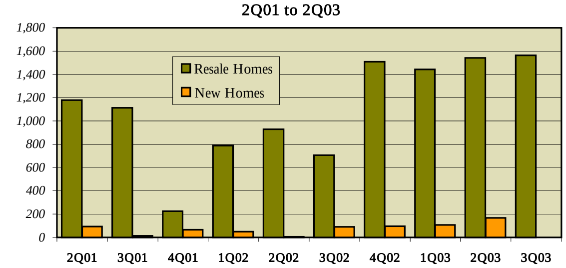
EXHIBIT 7

SINGLE FAMILY HOME SALES TRENDS
CENTRAL SEATTLE SUBREGION
Second Quarter, 2003

Sales Volume Trends

Quarter	Sales Volume New	Sales Volume Resale	Rate of Change New	Rate of Change Resale
2Q01	72	1,180	-3%	25%
3Q01	94	1,114	224%	90%
4Q01	13	224	-87%	-83%
1Q02	67	789	20%	-7%
2Q02	50	930	-37%	-9%
3Q02	6	706	-92%	-40%
4Q02	92	1,509	-2%	35%
1Q03	97	1,442	646%	544%
2Q03	107	1,543	60%	96%
3Q03	168	1,564	236%	68%

SALES VOLUMES
2Q01 to 2Q03

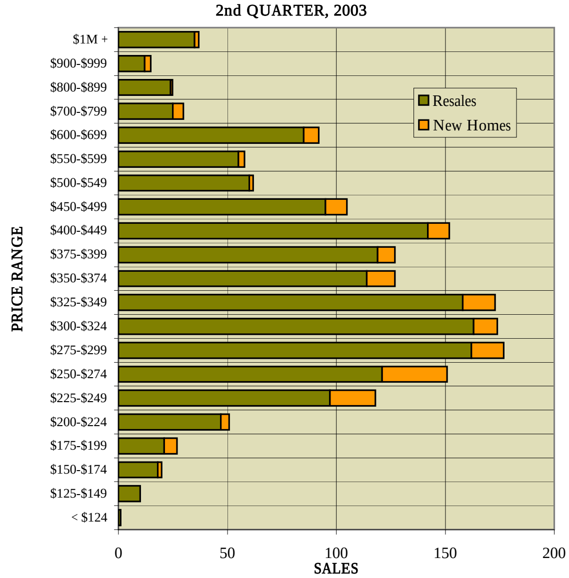


Single Family Home Sales

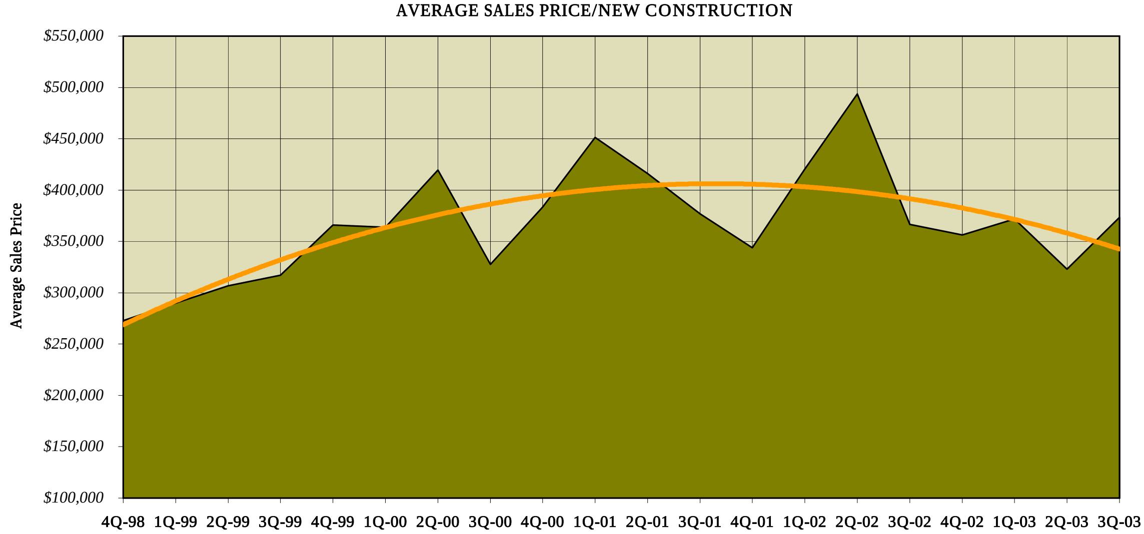
Price Range	2Q-03 New	2Q-03 Resales	YTD Total Sales New	YTD Total Sales Resales
Under $124,999	0	1	6	30
$124,999 - $149,999	0	10	9	69
$150,000 - $174,999	2	18	6	149
$175,000 - $199,999	6	21	10	282
$200,000 - $224,999	4	47	10	315
$225,000 - $249,999	21	97	46	412
$250,000 - $274,999	30	121	44	446
$275,000 - $299,999	15	162	28	441
$300,000 - $324,999	11	163	14	295
$325,000 - $349,999	15	158	29	340
$350,000 - $374,999	13	114	15	304
$375,000 - $399,999	8	119	72	289
$400,000 - $449,999	10	142	22	288
$450,000 - $499,999	10	95	19	212
$500,000 - $549,999	2	60	9	153
$550,000 - $599,999	3	55	6	155
$600,000 - $699,999	7	85	14	155
$700,000 - $799,999	5	25	5	70
$800,000 - $899,999	1	24	0	0
$900,000 - $999,999	3	12	0	0
$1,000,000 - & Over	2	35	3	65
Total	168	1,564	367	4,470

Average Sales Price (All Sales) ***$300,358***
Average Sales Price (New Construction) ***$238,920***

SALES VOLUME BY PRICE RANGE -
2nd QUARTER, 2003



AVERAGE SALES PRICE/NEW CONSTRUCTION



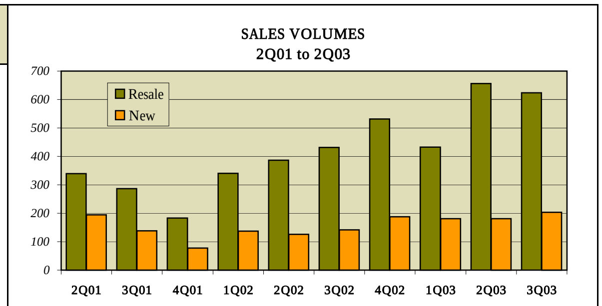
SOURCE: NWMLS and Gardner Johnson LLC

EXHIBIT 8

ATTACHED FOR-SALE HOME SALES TRENDS
CENTRAL SEATTLE SUBREGION
Second Quarter, 2003

Sales Volume Trends

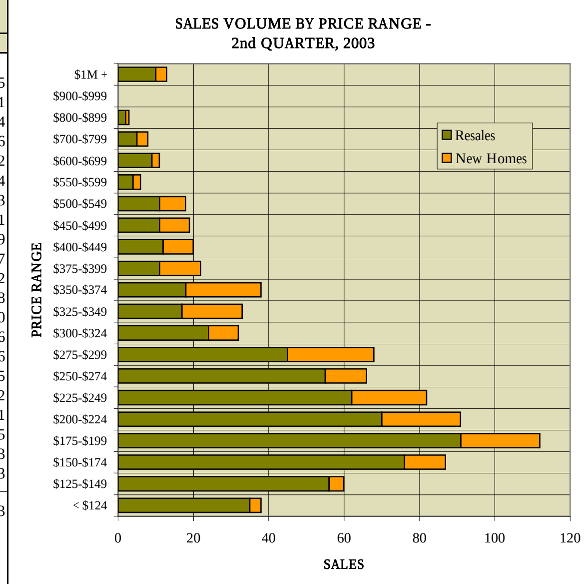
Quarter	Sales Volume New	Sales Volume Resale	Rate of Change New	Rate of Change Resale
2Q01	194	339	134%	15%
3Q01	138	287	38%	-32%
4Q01	78	183	-55%	-32%
1Q02	137	341	-6%	9%
2Q02	126	387	-35%	14%
3Q02	142	432	3%	51%
4Q02	188	532	141%	191%
1Q03	181	433	32%	27%
2Q03	181	656	44%	70%
3Q03	203	624	43%	44%

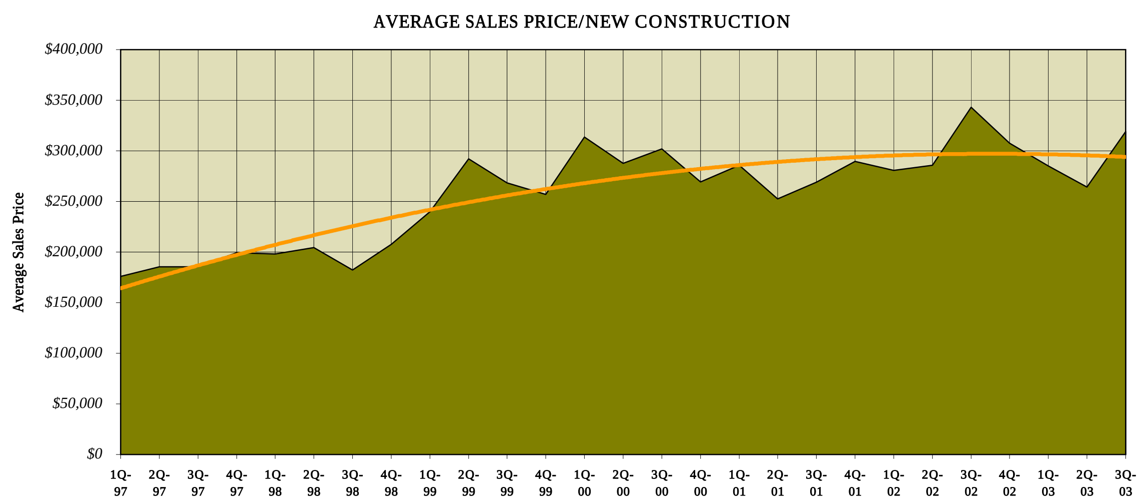


Attached Home Sales

Price Range	2Q-03 New	2Q-03 Resales	YTD Total Sales New	YTD Total Sales Resales
Under $124,999	3	35	43	85
$125,000 - $149,999	4	56	13	121
$150,000 - $174,999	11	76	37	174
$175,000 - $199,999	21	91	37	226
$200,000 - $224,999	21	70	49	172
$225,000 - $249,999	20	62	87	224
$250,000 - $274,999	11	55	44	163
$275,000 - $299,999	23	45	39	101
$300,000 - $324,999	8	24	14	49
$325,000 - $349,999	16	17	74	57
$350,000 - $374,999	20	18	38	62
$375,000 - $399,999	11	11	26	48
$400,000 - $449,999	8	12	22	40
$450,000 - $499,999	8	11	17	46
$500,000 - $549,999	7	11	9	46
$550,000 - $599,999	2	4	5	25
$600,000 - $699,999	2	9	15	32
$700,000 - $799,999	3	5	4	11
$800,000 $899,999	1	2	2	5
$900,000 $999,999	0	0	1	13
$1,000,000 & Over	3	10	4	13
Total	203	624	580	1,713

Average Sales Price (All Sales) ***$298,860***
Average Sales Price (New Construction) ***$264,262***





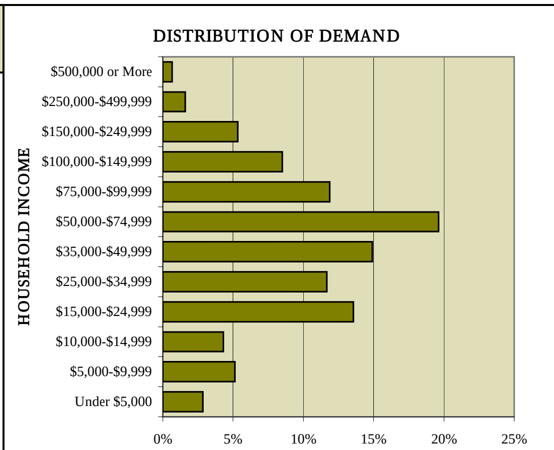
SOURCE: NWMLS and Gardner Johnson LLC

EXHIBIT 9

PROJECTED DEMAND FOR OWNERSHIP HOUSING
CENTRAL SEATTLE SUBREGION
Second Quarter, 2003 through Second Quarter, 2004

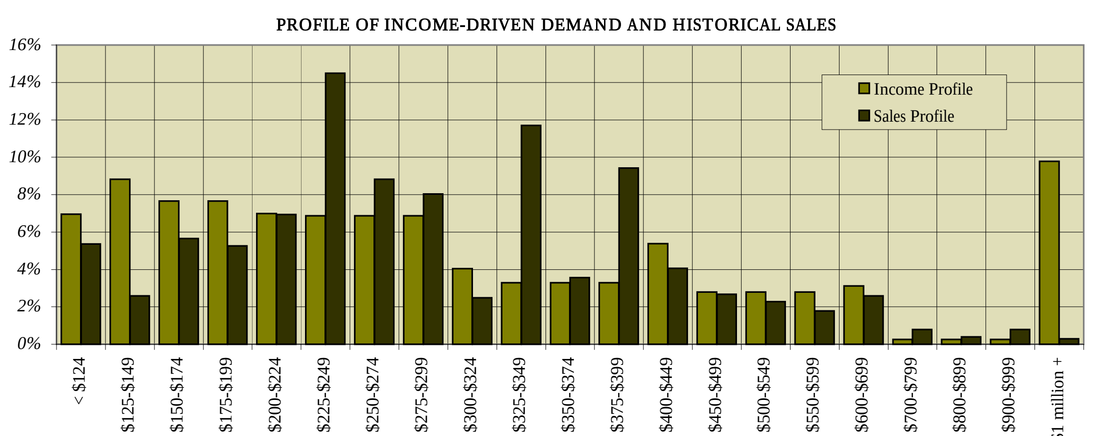
Profile of Demand by Household Income

Household Income	Net Growth	Turnover Demand	Demand Profile Total	Demand Profile %
Under $5,000	32	89	121	2.9%
$5,000-$9,999	51	166	217	5.1%
$10,000-$14,999	51	131	182	4.3%
$15,000-$24,999	134	440	574	13.6%
$25,000-$34,999	121	373	494	11.7%
$35,000-$49,999	154	476	630	14.9%
$50,000-$74,999	203	627	830	19.6%
$75,000-$99,999	123	379	502	11.9%
$100,000-$149,999	88	272	360	8.5%
$150,000-$249,999	54	171	225	5.3%
$250,000-$499,999	17	50	67	1.6%
$500,000 or More	7	21	28	0.7%
Total	1,037	3,195	4,232	100.0%



Projected Demand for New Housing by Price Range

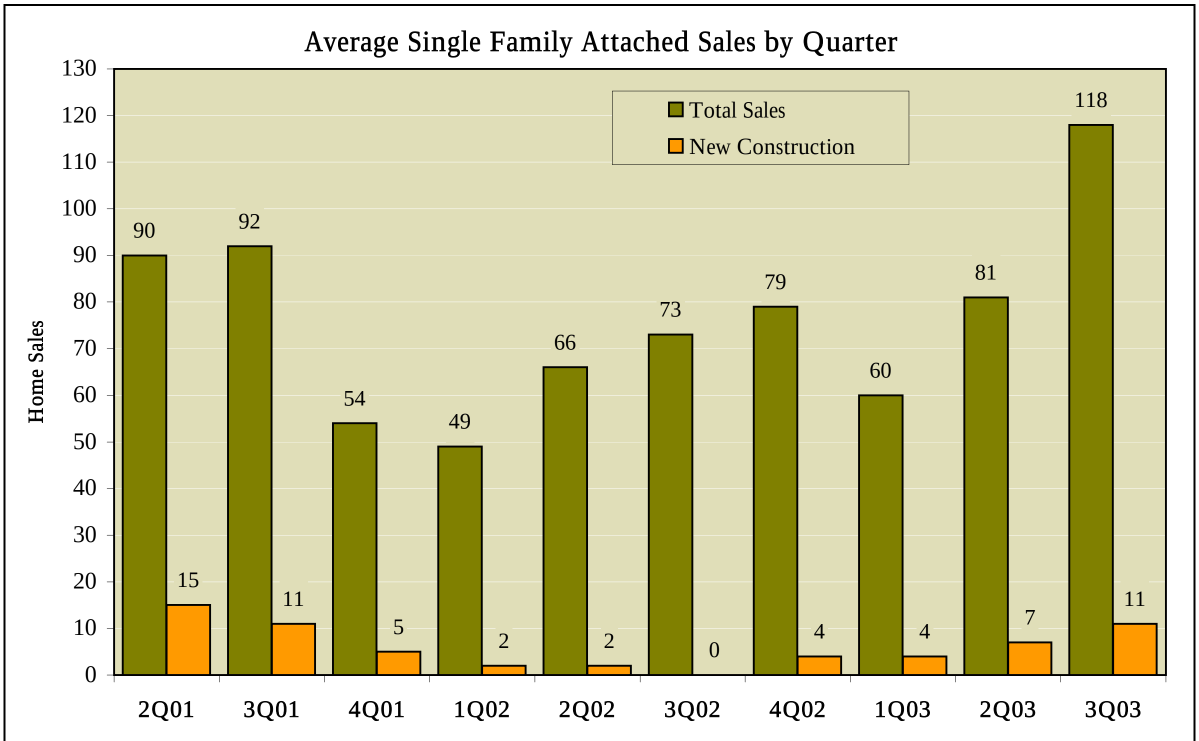
Price Range ($000s)	Previous Volume Detached	Previous Volume Attached	Previous Volume Total	Projected Volume Detached	Projected Volume Attached	Projected Volume Total	% Change Detached	% Change Attached	% Change Total
< $124	6	48	54	7	53	60	17%	10%	11%
$125-$149	9	17	26	15	28	43	67%	65%	65%
$150-$174	7	50	57	8	56	64	14%	12%	12%
$175-$199	6	47	53	7	54	61	17%	15%	15%
$200-$224	12	58	70	12	60	72	0%	3%	3%
$225-$249	36	110	146	32	98	130	(11%)	(11%)	(11%)
$250-$274	22	67	89	21	65	86	(5%)	(3%)	(3%)
$275-$299	24	57	81	24	56	80	0%	(2%)	(1%)
$300-$324	6	19	25	7	23	30	17%	21%	20%
$325-$349	33	85	118	28	72	100	(15%)	(15%)	(15%)
$350-$374	4	32	36	4	32	36	0%	0%	0%
$375-$399	72	23	95	62	20	82	(14%)	(13%)	(14%)
$400-$449	23	18	41	26	20	46	13%	11%	12%
$450-$499	11	16	27	11	17	28	0%	6%	4%
$500-$549	10	13	23	11	14	25	10%	8%	9%
$550-$599	6	12	18	7	14	21	17%	17%	17%
$600-$699	9	17	26	10	18	28	11%	6%	8%
$700-$799	2	6	8	2	5	7	0%	(17%)	(13%)
$800-$899	2	2	4	2	2	4	0%	0%	0%
$900-$999	1	7	8	1	6	7	0%	(14%)	(13%)
$1 million +	1	2	3	9	19	28	800%	850%	833%
Total	302	706	1,008	306	732	1,037	1%	4%	3%

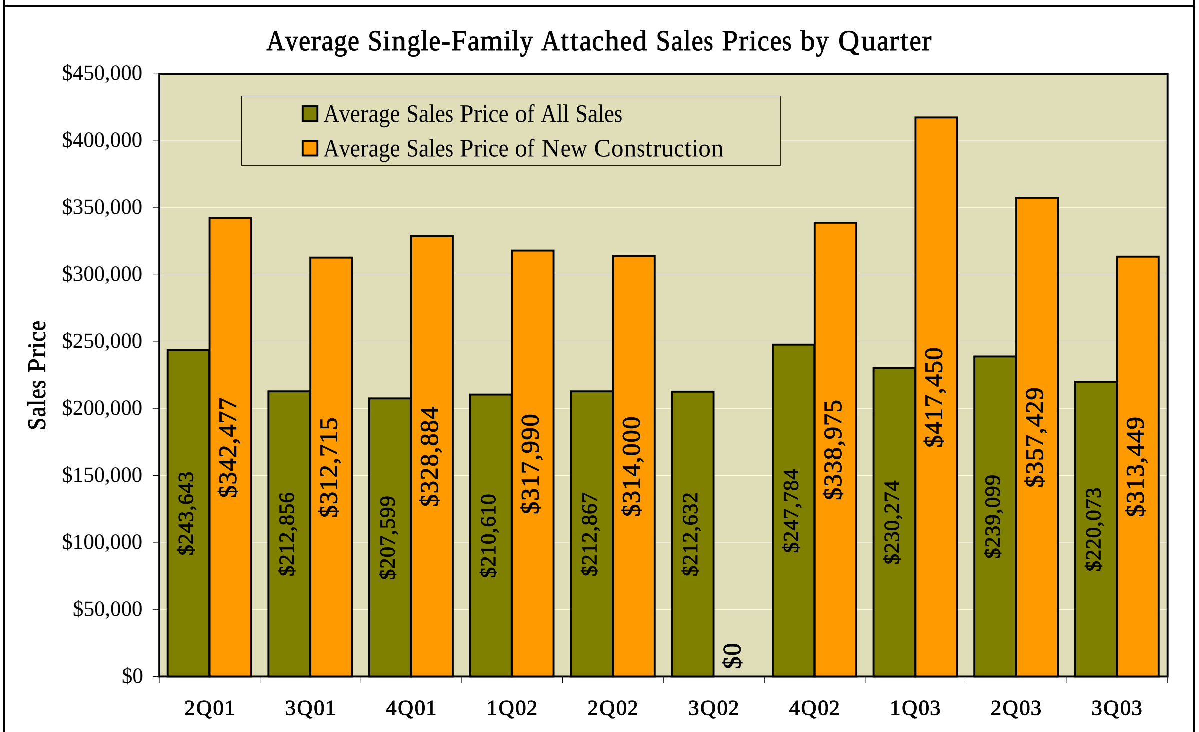


1/ Based upon sales volume over the previous twelve months and demand projections for the next twelve months.
SOURCE: Gardner Johnson LLC

EXHIBIT 10

RESIDENTIAL SALES BY VOLUME AND PRICE
CAPITOL HILL MARKET AREA



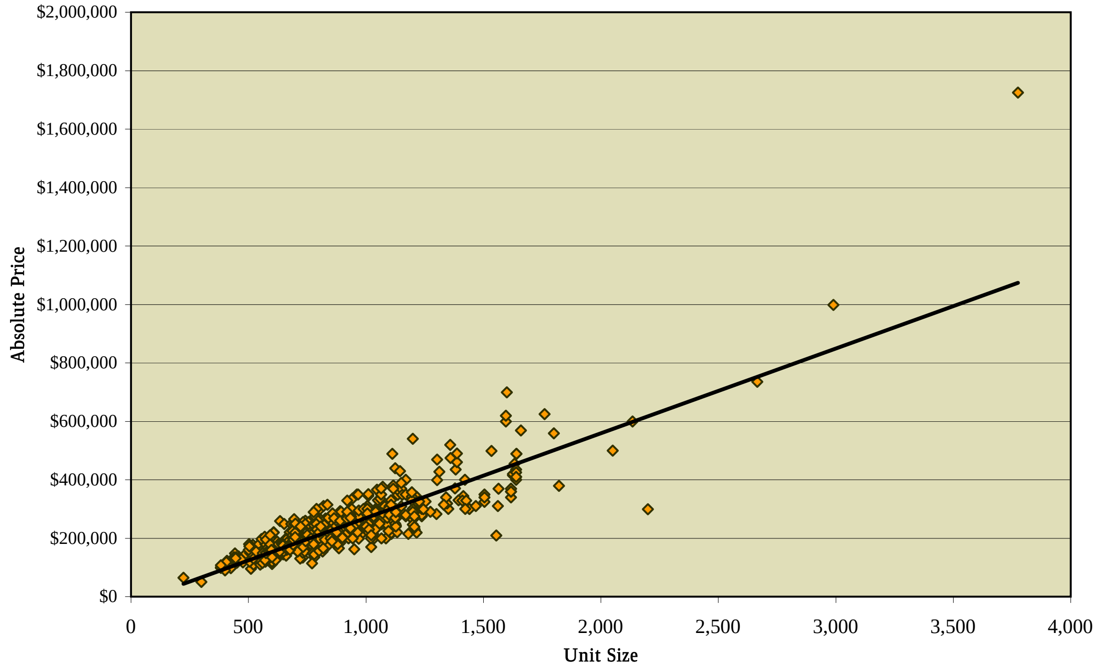


Source: MLS and Gardner Johnson

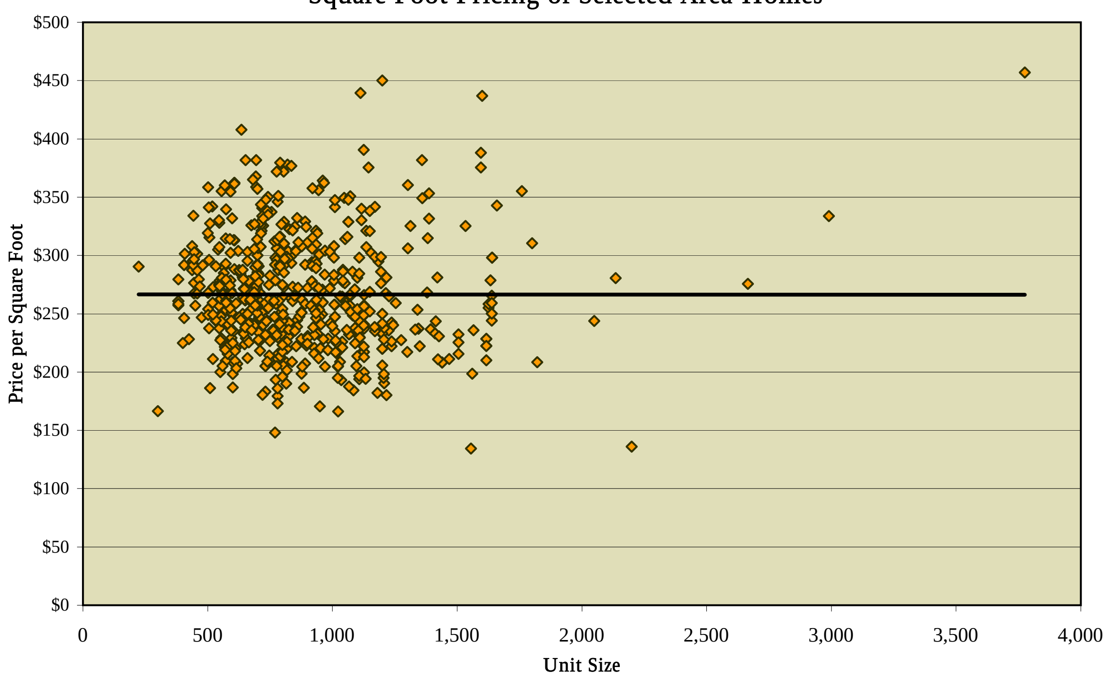
EXHIBIT 11

PRICING OF SELECTED ATTACHED HOME SALES
CAPITOL HILL MARKET AREA

Absolute Pricing of Selected Area Homes



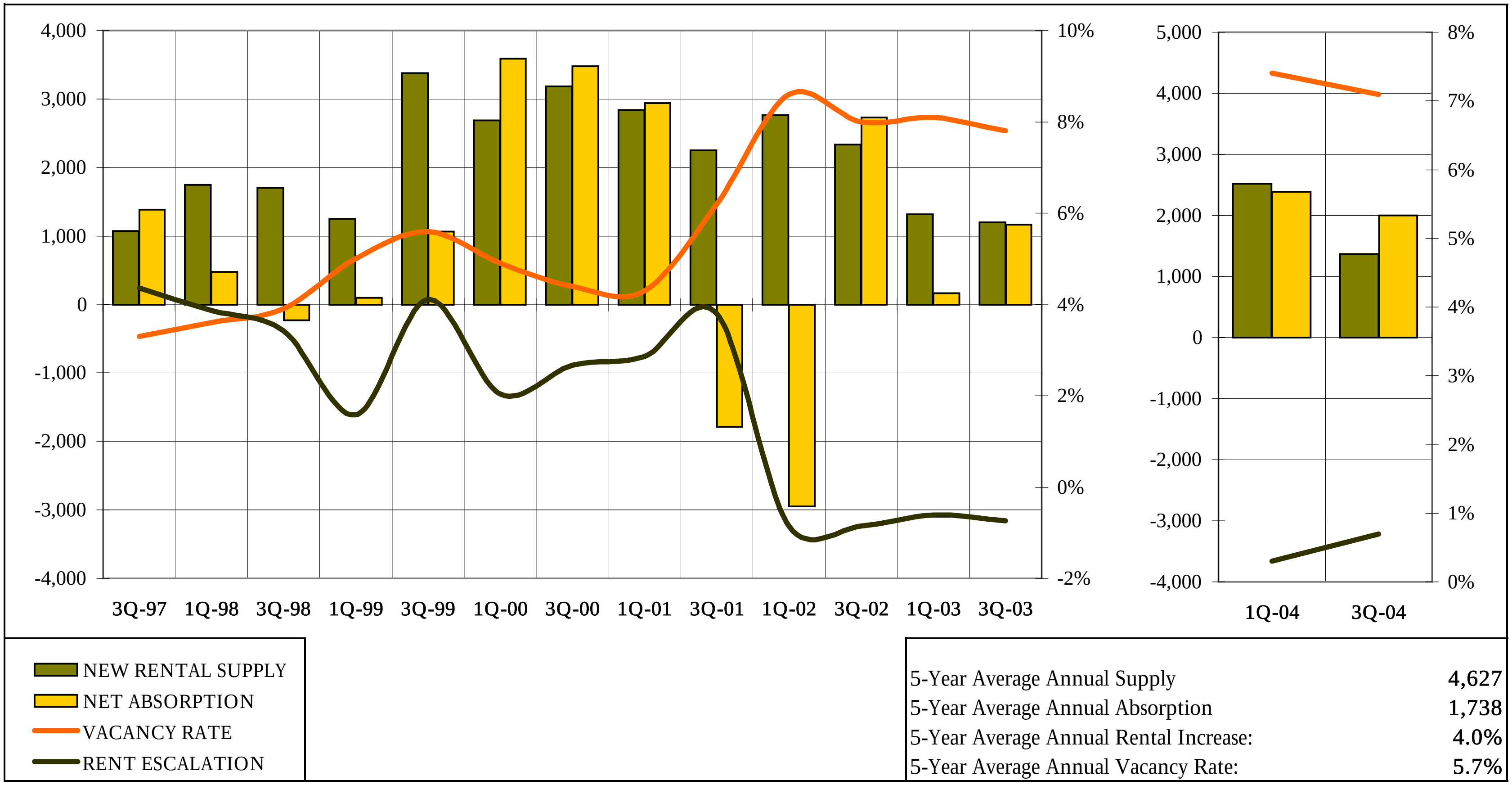
Square Foot Pricing of Selected Area Homes



Source: MLS and Gardner Johnson

EXHIBIT 12

RENTAL APARTMENT MARKET TRENDS - DUPRE & SCOTT
SEATTLE METROPOLITAN AREA
FIVE-YEAR SUMMARY/ONE-YEAR FORECAST



5-Year Average Annual Supply	4,627
5-Year Average Annual Absorption	1,738
5-Year Average Annual Rental Increase:	4.0%
5-Year Average Annual Vacancy Rate:	5.7%

SOURCE: Dupre & Scott and Gardner Johnson

EXHIBIT 13

INVENTORY OF 15+ MARKET-RATE RENTAL APARTMENT UNITS BY SUBMARKET
SEATTLE METROPOLITAN AREA

	Year Built															
Market Area	2003*	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990	1990>	Total
KING COUNTY																
Seattle																
BELLTOWN/DOWNTOWN	0	393	1107	668	320	97	285	0	0	368	422	298	813	175	2,159	7,105
CAPITOL HILL/EASTLAKE	0	62	0	119	30	49	53	54	30	75	149	0	53	62	5,686	6,422
CENTRAL	23	225	262	78	91	82	0	0	35	0	0	0	25	60	1,113	1,994
FIRST HILL	0	138	75	47	0	0	55	0	0	80	0	0	261	207	4647	5,510
MADISON PARK/LESCHI	0	0	0	0	0	0	0	0	0	22	0	0	0	0	497	519
MAGNOLIA	0	0	72	0	0	0	0	0	0	21	0	0	63	35	1285	1,476
QUEEN ANNE	62	102	124	91	79	0	28	150	30	167	98	0	133	228	4,455	5,747
Subtotal	**85**	**920**	**1,640**	**1,003**	**520**	**228**	**421**	**204**	**95**	**733**	**669**	**298**	**1,348**	**767**	**19,842**	**28,773**
Northend																
BALLARD	0	0	0	0	0	0	0	0	24	35	0	0	32	24	932	1,047
GREENLAKE/WALLINGFORD	128	0	31	156	53	132	0	45	0	44	0	41	204	93	1,865	2,792
SHORELINE	55	408	39	216	0	0	20	0	0	0	0	0	108	22	3,158	4,026
NORTH SEATTLE	0	0	0	0	134	0	20	44	93	77	213	0	269	274	6,346	7,470
UNIVERSITY	21	0	75	30	97	0	24	0	0	0	24	73	30	26	2,846	3,246
Subtotal	**204**	**408**	**145**	**402**	**284**	**132**	**64**	**89**	**117**	**156**	**237**	**114**	**643**	**439**	**15,147**	**18,581**
Eastside																
BELLEVUE-EAST	0	0	42	0	0	105	0	0	39	108	250	0	0	0	7,787	8,331
BELLEVUE-WEST	127	0	351	424	337	0	236	0	0	220	0	30	0	148	2,147	4,020
BOTHELL	74	0	0	144	0	0	529	0	180	0	0	0	278	210	1,536	2,951
DUVALL	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FACTORIA	0	140	0	0	0	0	216	0	0	0	0	751	126	234	1,204	2,671
ISSAQUAH	391	259	204	722	553	338	0	0	128	0	91	0	354	211	1,122	4,373
JUANITA	196	0	0	175	84	0	0	0	0	0	0	0	0	202	2,481	3,138
KIRKLAND	0	0	62	48	161	60	0	0	0	0	0	0	150	0	1,579	2,060
MERCER ISLAND	0	78	0	0	0	0	0	0	0	0	0	0	0	60	714	852
REDMOND	543	0	331	0	247	648	136	200	149	227	0	0	552	992	4,794	8,819
WOODINVILLE/TOTEM LAKE	0	0	0	0	0	268	0	0	0	0	0	0	162	88	1,769	2,287
Subtotal	**1,331**	**477**	**990**	**1,513**	**1,382**	**1,419**	**1,117**	**200**	**496**	**555**	**341**	**781**	**1,622**	**2,145**	**25,133**	**39,502**
Southend																
AIRPORT	0	0	0	0	0	0	0	0	0	0	0	0	0	30	2,763	2,793
AUBURN	234	124	0	147	0	0	0	22	68	0	0	167	313	0	4,093	5,168
BEACON HILL	0	0	0	25	0	0	0	0	0	0	0	0	0	0	817	842
BURIEN	0	0	0	0	0	0	0	0	54	22	48	164	0	24	2,881	3,193
DES MOINES	0	0	0	82	0	222	0	0	0	0	0	0	0	225	4,815	5,344
ENUMCLAW	0	0	0	0	0	0	0	0	0	0	0	0	135	0	285	420
FEDERAL WAY	0	0	0	0	36	0	0	0	240	0	0	72	734	818	7,731	9,631
KENT	200	76	82	0	0	0	0	0	0	0	0	186	789	1,261	9,584	12,178
MAPLE VALLEY	0	0	0	0	0	0	0	170	0	172	0	0	0	0	232	574
RAINIER VALLEY	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,379	1,379
RENTON	0	361	391	182	688	444	194	288	0	0	64	0	364	120	7,300	10,396
RIVERTON/TUKWILA	0	0	0	0	0	20	0	0	0	0	0	0	0	213	4,774	5,007
VASHON ISLAND	0	0	0	0	0	0	0	0	0	0	27	0	0	0	0	27
WEST SEATTLE	0	85	0	0	60	0	0	27	0	0	83	228	85	209	1,956	2,733
WHITE CENTER	0	0	0	0	0	0	91	0	21	32	45	0	0	504	1,658	2,351
Subtotal	**434**	**751**	**473**	**436**	**784**	**686**	**285**	**507**	**383**	**226**	**267**	**817**	**2,420**	**3,404**	**50,268**	**62,036**
SNOHOMISH COUNTY																
CENTRAL EVERETT	0	121	0	0	0	0	0	0	26	0	0	0	49	261	1,711	2,168
EAST SNOHOMISH COUNTY	0	0	200	400	937	340	32	0	0	0	0	72	222	161	119	2,483
EDMONDS	0	31	0	238	0	0	0	0	0	38	0	0	0	0	2,791	3,098
LYNNWOOD	29	30	238	424	43	0	0	20	0	238	0	240	332	263	4,768	6,625
MILL CREEK	139	284	0	479	107	77	0	0	0	0	0	0	306	597	3,079	5,068
MOUNTLAKE TERRACE	0	0	0	0	0	0	0	0	0	0	0	0	0	328	2,009	2,337
NORTH SNOHOMISH COUNTY	0	0	84	20	134	24	0	23	0	0	0	0	62	179	747	1,273
PAINE FIELD	0	268	412	0	250	0	254	0	0	24	0	264	103	1,337	3,586	6,498
SILVER LAKE	0	30	0	423	893	0	33	136	181	0	42	28	1,007	1,008	4,628	8,409
Subtotal	**168**	**684**	**934**	**1,984**	**2,364**	**441**	**319**	**179**	**207**	**300**	**42**	**604**	**2,081**	**4,134**	**23,438**	**37,959**
PIERCE COUNTY																
FIFE/MILTON	141	189	0	181	92	0	54	0	0	0	0	0	36	0	1,902	2,595
FIRCREST/UNIVERSITY PLACE	0	0	0	72	0	0	122	46	0	0	0	108	368	372	5,343	6,431
LAKEWOOD	0	0	0	0	0	0	0	182	403	173	0	135	0	231	7,043	8,167
MID TACOMA	0	31	40	22	56	0	0	0	0	0	0	46	0	45	1,278	1,518
NORTH TACOMA	0	87	0	0	0	0	0	0	0	0	24	0	20	84	3,454	3,669
OTHER PIERCE COUNTY	0	0	0	40	24	0	117	0	23	0	0	0	0	0	138	342
PARKLAND/SPANAWA	0	0	116	206	0	0	110	138	40	108	32	0	144	0	1,210	2,104
PENINSULA	0	0	0	0	0	0	0	225	0	0	0	62	120	0	734	1,141
PUYALLUP/SUMNER	0	410	155	437	256	357	76	316	480	49	47	24	627	318	3,016	6,568
SOUTH TACOMA	52	132	0	145	202	0	0	0	128	0	144	239	219	488	6,601	8,350
Subtotal	**193**	**849**	**311**	**1,103**	**630**	**357**	**479**	**907**	**1,074**	**330**	**247**	**614**	**1,534**	**1,538**	**30,719**	**40,885**
Grand Total Units	**2,415**	**4,193**	**4,493**	**6,441**	**5,964**	**3,263**	**2,685**	**2,086**	**2,372**	**2,300**	**1,803**	**3,228**	**9,648**	**12,427**	**164,547**	**227,736**

* Units shown are projected.

SOURCE: Dupre & Scott

EXHIBIT 14

RENT TRENDS 3Q95 -1Q03
SEATTLE METROPOLITAN AREA

	Projected Average Rent Increase																	5 Year
	3Q-95	1Q-96	3Q-96	1Q-97	3Q-97	1Q-98	3Q-98	1Q-99	3Q-99	1Q-00	3Q-00	1Q-01	3Q-01	1Q-02	3Q-02	1Q-03	3Q-03	Average
KING COUNTY																		
Seattle																		
BELLTOWN/DOWNTOWN	5.4%	4.5%	5.2%	5.5%	6.9%	5.7%	5.2%	6.5%	5.2%	4.1%	5.6%	4.0%	2.9%	4.3%	3.0%	0.0%	3.5%	3.9%
CAPITOL HILL/EASTLAKE	3.8%	4.2%	4.2%	5.2%	5.2%	5.3%	4.7%	4.5%	4.8%	3.5%	4.0%	3.5%	3.4%	1.9%	5.5%	2.0%	2.4%	3.6%
CENTRAL	11.2%	5.5%	4.9%	6.3%	5.6%	7.7%	5.2%	5.4%	3.5%	3.4%	3.2%	3.8%	2.4%	2.5%	4.5%	2.5%	2.0%	3.3%
FIRST HILL	4.4%	4.0%	4.2%	5.7%	6.3%	5.0%	4.5%	5.4%	4.8%	3.4%	4.3%	4.2%	3.1%	3.7%	10.0%	1.0%	5.0%	4.5%
MADISON PARK/LESCHI	4.0%	3.3%	4.0%	3.3%	3.5%	3.7%	3.7%	0.0%	5.0%	3.5%	5.0%	4.0%	0.0%	3.5%	3.5%	0.0%	2.0%	2.7%
MAGNOLIA	4.0%	4.0%	3.5%	5.5%	4.8%	5.2%	4.8%	7.0%	6.0%	3.7%	6.5%	4.0%	2.0%	0.0%	7.0%	0.0%	2.0%	3.8%
QUEEN ANNE	4.1%	4.1%	4.5%	5.6%	5.9%	5.6%	5.2%	5.0%	4.5%	4.0%	4.4%	3.7%	2.6%	2.4%	5.0%	0.0%	2.6%	3.4%
Northend																		
BALLARD	3.0%	3.4%	3.6%	4.2%	5.6%	4.4%	3.5%	4.7%	4.0%	3.7%	3.8%	4.4%	2.5%	1.5%	1.0%	0.0%	1.0%	2.7%
GREENLAKE/WALLINGFORD	2.8%	3.6%	3.5%	4.7%	4.8%	5.5%	4.7%	3.7%	4.8%	3.9%	3.9%	3.0%	2.6%	2.7%	6.0%	0.0%	2.3%	3.3%
SHORELINE	3.3%	3.6%	3.5%	4.9%	5.7%	5.7%	4.1%	4.5%	4.8%	4.1%	3.1%	4.0%	2.8%	3.3%	5.0%	3.0%	3.4%	3.8%
NORTH SEATTLE	3.3%	3.0%	3.3%	5.1%	5.2%	5.3%	4.7%	4.0%	4.2%	3.7%	4.0%	3.8%	3.3%	2.4%	3.8%	4.7%	3.5%	3.7%
UNIVERSITY	2.2%	3.0%	3.5%	4.4%	5.2%	6.8%	4.1%	3.4%	3.9%	3.2%	4.1%	2.9%	1.9%	1.8%	6.7%	3.5%	3.8%	3.5%
Eastside																		
BELLEVUE-EAST	3.5%	3.8%	3.1%	5.0%	5.4%	4.1%	4.2%	3.3%	3.8%	3.3%	4.5%	3.7%	3.9%	3.0%	3.0%	0.0%	4.0%	3.3%
BELLEVUE-WEST	3.3%	3.5%	4.8%	5.6%	4.9%	4.8%	5.3%	3.6%	5.6%	3.4%	4.2%	3.1%	2.0%	0.0%	2.0%	3.5%	2.0%	2.9%
BOTHELL	2.5%	3.4%	3.8%	4.5%	4.9%	4.4%	4.2%	4.7%	7.7%	3.3%	4.4%	3.6%	4.3%	5.0%	3.5%	0.0%	0.0%	3.7%
FACTORIA	2.9%	3.0%	4.6%	5.9%	5.9%	4.7%	3.5%	4.5%	5.5%	3.3%	4.7%	5.3%	4.3%	6.0%	6.3%	11.7%	0.0%	5.2%
ISSAQUAH	2.5%	3.0%	3.6%	3.7%	5.0%	5.1%	4.2%	3.6%	4.3%	3.1%	4.2%	3.8%	3.2%	6.0%	6.5%	2.0%	2.0%	3.9%
JUANITA	2.6%	2.7%	3.1%	5.0%	5.9%	5.4%	3.6%	3.8%	4.8%	3.4%	3.8%	3.7%	3.4%	4.0%	0.0%	5.0%	0.0%	3.2%
KIRKLAND	3.5%	4.1%	4.6%	5.7%	3.7%	4.6%	4.2%	3.4%	3.5%	3.3%	2.8%	2.8%	2.4%	3.0%	0.0%	0.0%	7.3%	2.9%
MERCER ISLAND	0.0%	4.0%	4.0%	5.0%	6.3%	6.5%	8.3%	5.2%	4.3%	3.7%	5.5%	4.5%	3.0%	0.0%	0.0%	0.0%	0.0%	2.6%
REDMOND	4.3%	2.3%	3.4%	4.2%	5.5%	5.4%	4.0%	4.8%	3.7%	3.2%	3.6%	3.7%	1.6%	5.0%	10.0%	3.0%	6.8%	4.5%
WOODINVILLE/TOTEM LAKE	3.5%	2.0%	3.2%	3.8%	3.8%	4.4%	3.0%	3.5%	3.0%	3.8%	4.3%	4.0%	5.5%	0.0%	0.0%	5.0%	0.0%	2.9%
Southend																		
AIRPORT	1.0%	2.6%	2.6%	3.4%	4.6%	5.1%	4.2%	3.5%	4.0%	4.5%	3.6%	2.9%	3.6%	4.2%	1.0%	3.0%	2.5%	3.3%
AUBURN	3.3%	2.0%	3.1%	4.5%	4.4%	4.4%	3.9%	3.3%	3.4%	4.2%	3.6%	3.5%	3.6%	2.6%	8.7%	3.7%	2.4%	3.9%
BEACON HILL	5.0%	4.0%	5.3%	4.2%	4.8%	3.4%	3.7%	5.0%	4.3%	5.0%	3.7%	3.3%	4.0%	2.5%	0.0%	0.0%	4.0%	3.2%
BURIEN	3.8%	2.7%	2.6%	4.9%	5.0%	5.3%	4.3%	3.2%	4.2%	4.0%	4.9%	4.1%	3.0%	4.2%	3.3%	0.0%	0.0%	3.1%
DES MOINES	3.0%	3.3%	3.0%	4.7%	3.5%	6.1%	6.3%	4.6%	4.4%	4.4%	3.2%	3.0%	3.2%	2.5%	4.0%	3.2%	3.5%	3.6%
ENUMCLAW	0.0%	3.5%	0.0%	0.0%	3.0%	0.0%	2.0%	5.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.0%	0.0%	0.0%	0.0%	0.7%
FEDERAL WAY	3.6%	2.3%	2.5%	3.8%	4.3%	6.0%	4.9%	4.6%	4.1%	4.8%	3.9%	3.7%	3.2%	3.4%	6.5%	3.9%	2.3%	4.0%
KENT	5.2%	3.6%	3.5%	4.6%	5.6%	4.9%	4.3%	4.1%	3.7%	4.2%	4.3%	3.3%	3.2%	3.8%	3.5%	9.0%	6.7%	4.6%
MAPLE VALLEY	--	--	--	--	6.0%	0.0%	2.0%	4.0%	2.0%	3.0%	4.0%	0.0%	0.0%	0.0%	0.0%	0.0%	--	1.4%
RAINIER VALLEY	4.3%	5.0%	3.0%	4.8%	5.9%	4.7%	3.7%	3.3%	2.0%	4.7%	4.1%	4.3%	6.0%	0.0%	0.0%	5.5%	2.0%	3.2%
RENTON	3.0%	3.2%	4.0%	4.8%	5.2%	5.5%	4.8%	4.0%	3.9%	3.5%	3.5%	4.0%	2.5%	3.2%	4.0%	1.5%	2.4%	3.3%
RIVERTON/TUKWILA	3.0%	2.5%	4.1%	4.7%	4.8%	4.3%	3.5%	4.3%	4.8%	3.4%	3.7%	3.4%	3.2%	4.3%	3.8%	2.3%	7.7%	4.1%
WEST SEATTLE	3.5%	3.2%	4.4%	5.8%	5.1%	6.7%	5.5%	5.4%	4.9%	5.7%	6.3%	5.3%	2.9%	1.7%	4.3%	3.0%	3.5%	4.3%
WHITE CENTER	2.7%	3.0%	4.0%	4.8%	4.0%	3.8%	3.0%	3.5%	3.0%	3.9%	5.2%	4.7%	3.3%	2.5%	5.0%	1.0%	6.0%	3.8%
SNOHOMISH COUNTY																		
CENTRAL EVERETT	2.7%	2.5%	4.1%	5.5%	6.7%	7.4%	6.9%	4.0%	4.6%	3.4%	3.8%	2.8%	5.0%	2.0%	0.0%	9.0%	0.0%	3.5%
EAST SNOHOMISH COUNTY	2.5%	3.5%	3.0%	6.3%	4.8%	5.2%	3.3%	4.5%	2.5%	2.7%	5.0%	4.0%	3.0%	3.0%	3.0%	0.0%	2.5%	3.0%
EDMONDS	2.5%	3.2%	3.2%	5.1%	4.3%	5.1%	5.9%	4.5%	5.1%	4.4%	4.7%	3.7%	4.1%	3.0%	5.2%	1.0%	5.5%	4.1%
LYNNWOOD	3.3%	5.4%	3.6%	4.2%	5.1%	5.0%	5.6%	5.0%	3.5%	5.2%	3.6%	3.4%	4.7%	5.0%	6.3%	3.3%	3.3%	4.3%
MILL CREEK	2.4%	3.2%	3.7%	4.5%	4.6%	6.2%	3.7%	4.1%	4.0%	2.6%	3.2%	3.1%	2.6%	4.5%	0.0%	2.0%	2.0%	2.8%
MOUNTLAKE TERRACE	2.0%	3.2%	2.3%	4.1%	4.3%	3.4%	3.7%	2.8%	4.3%	3.0%	4.3%	4.0%	1.7%	2.0%	0.0%	2.0%	2.0%	2.6%
NORTH SNOHOMISH COUNTY	2.5%	2.2%	5.0%	4.5%	5.3%	5.0%	5.8%	4.4%	4.8%	3.6%	3.7%	2.4%	2.8%	2.5%	0.0%	2.0%	0.0%	2.6%
PAINE FIELD	3.5%	2.5%	3.8%	5.7%	4.6%	3.7%	3.6%	3.1%	3.4%	3.2%	3.4%	3.4%	3.5%	3.0%	3.0%	0.0%	5.0%	3.1%
SILVER LAKE	4.1%	2.3%	3.0%	5.0%	4.9%	4.3%	5.0%	3.3%	4.1%	3.1%	3.6%	3.9%	2.2%	2.0%	10.0%	6.2%	2.7%	4.1%
PIERCE COUNTY																		
FIFE/MILTON	5.0%	2.6%	2.5%	4.2%	5.0%	3.0%	3.5%	2.8%	1.0%	3.0%	3.7%	3.2%	2.3%	0.0%	3.0%	0.0%	0.0%	1.9%
FIRCREST/UNIVERSITY PLACE	2.7%	3.9%	3.5%	4.3%	4.9%	4.9%	4.1%	4.1%	4.9%	3.2%	4.4%	3.3%	3.0%	2.7%	3.1%	4.7%	2.8%	3.6%
LAKEWOOD	3.5%	4.4%	3.3%	4.5%	3.9%	4.7%	3.6%	4.8%	3.9%	3.9%	4.6%	4.4%	2.7%	3.8%	3.8%	3.4%	2.9%	3.8%
MID TACOMA	3.9%	5.1%	3.9%	3.9%	4.3%	4.2%	4.0%	5.0%	3.7%	2.8%	4.3%	4.0%	3.6%	3.4%	0.0%	5.3%	3.5%	3.6%
NORTH TACOMA	3.9%	5.1%	3.9%	3.9%	3.9%	4.1%	4.0%	4.1%	2.9%	3.2%	4.0%	4.1%	4.0%	4.8%	3.8%	4.5%	2.7%	3.8%
OTHER PIERCE COUNTY	3.5%	5.0%	4.0%	4.0%	8.0%	5.0%	3.5%	2.0%	1.0%	4.5%	5.0%	2.0%	5.0%	3.0%	0.0%	5.0%	2.0%	3.0%
PARKLAND/SPANAWA	4.7%	3.3%	2.8%	3.5%	2.0%	4.5%	3.6%	3.2%	4.8%	5.5%	4.6%	2.4%	3.4%	3.0%	5.0%	3.5%	3.6%	3.9%
PENINSULA	8.0%	4.7%	5.5%	4.0%	2.8%	3.4%	4.5%	3.7%	3.0%	4.0%	4.5%	4.5%	5.5%	2.0%	10.0%	5.0%	2.0%	4.4%
PUYALLUP/SUMNER	5.0%	2.6%	2.5%	4.2%	2.4%	3.0%	3.8%	3.5%	2.7%	3.3%	3.0%	3.5%	2.6%	2.8%	3.7%	2.0%	4.3%	3.1%
SOUTH TACOMA	4.7%	3.3%	2.8%	3.5%	4.0%	5.5%	4.6%	5.4%	4.1%	3.6%	4.3%	4.0%	3.6%	3.1%	3.6%	3.3%	3.8%	3.9%
Metro Area Total	**3.55%**	**3.46%**	**3.60%**	**4.61%**	**4.87%**	**4.78%**	**4.32%**	**4.12%**	**3.98%**	**3.66%**	**4.10%**	**3.55%**	**3.09%**	**2.81%**	**3.63%**	**2.64%**	**2.76%**	3.43%

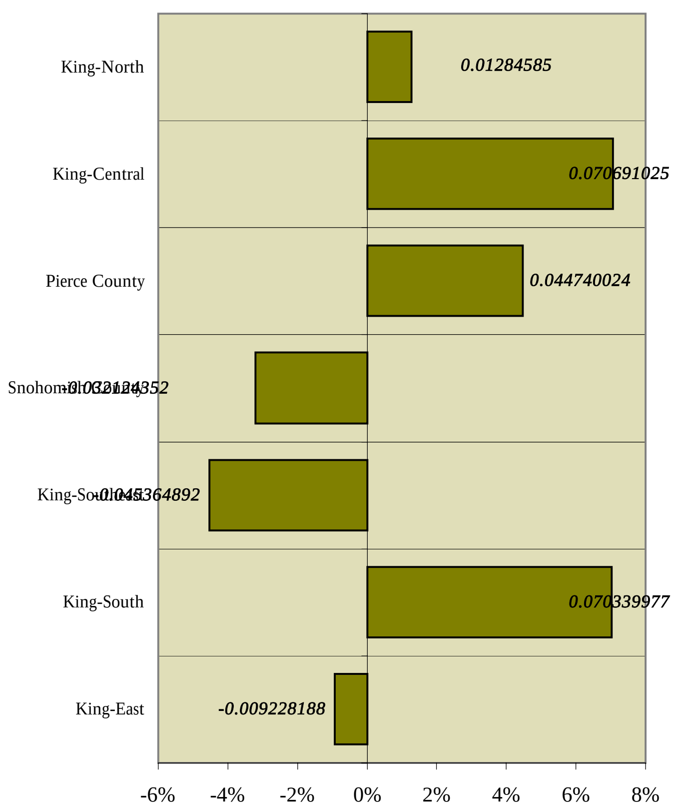
SOURCE: Dupre & Scott

EXHIBIT 15

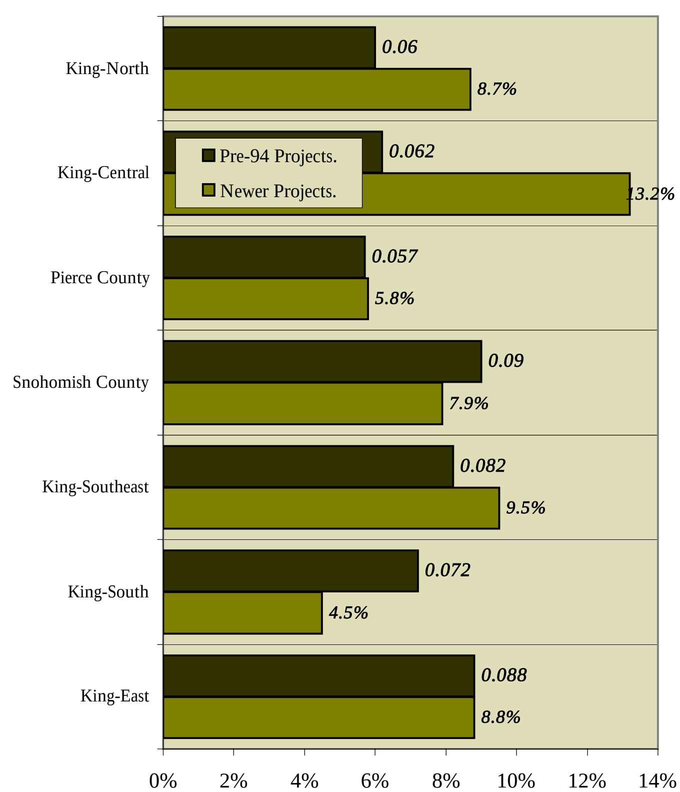
RENT AND VACANCY SUMMARY
NEW CONSTRUCTION AND SEASONED UNITS
DUPRE & SCOTT
THIRD QUARTER 2003

	Average Rent/3Q03		Average Rent/3Q02		Average Vacancy	
	94-03	Overall	94-03	Overall	94-03	Overall
King County						
North	$1,025	$790	$1,012	$799	8.4%	7.7%
Central	$1,348	$993	$1,259	$955	7.1%	6.8%
East	$1,181	$976	$1,192	$1,001	7.4%	6.7%
South	$913	$706	$853	$723	4.2%	8.0%
Southeast	$968	$752	$1,014	$768	8.5%	7.9%
Snohomish County	$934	$762	$965	$795	6.8%	9.0%
Pierce County	$864	$675	$827	$649	8.3%	6.9%
Overall/Average	*$1,016*	*$802*	*$1,014*	*$809*	*7.5%*	*7.6%*

RATE OF ESCALATION IN NEWER PROJECTS



CURRENT VACANCY RATE



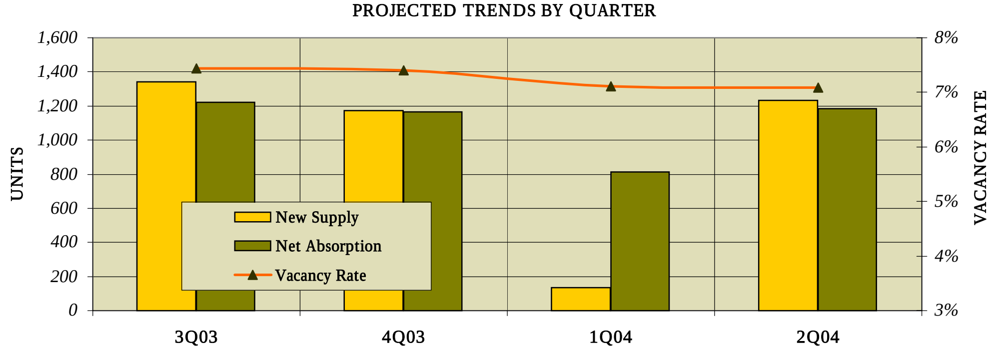
SOURCE: Dupre & Scott and Gardner Johnson

EXHIBIT 16

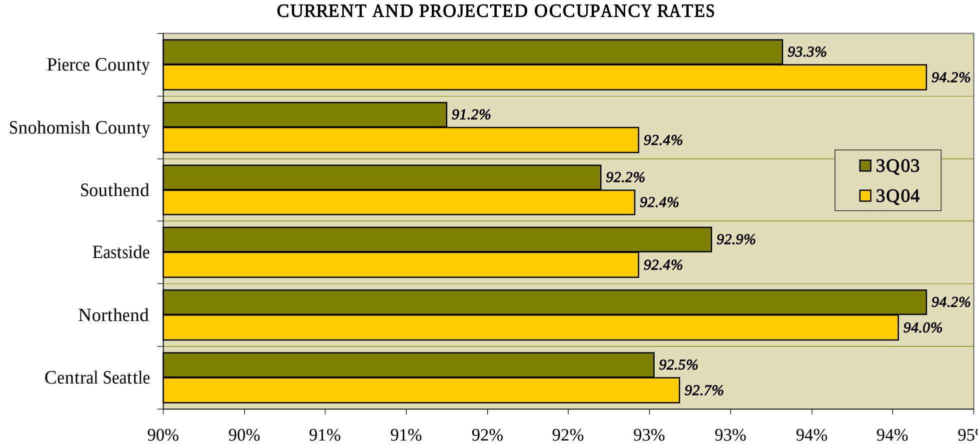
CURRENT AND PROJECTED CONDITIONS
SEATTLE METROPOLITAN AREA MARKET-RATE RENTAL APARTMENTS
15+ Unit Complexes

Subregion	3Q03		New	Net	2Q04	
Submarket	Inventory	Occupancy	Supply	Absorption	Inventory	Occupancy
Central Seattle	**29,039**	**92.5%**	**461**	**473**	**29,500**	**92.7%**
Northend	**19,047**	**94.2%**	**419**	**361**	**19,466**	**94.0%**
Eastside	**38,068**	**92.9%**	**1,541**	**1,254**	**39,609**	**92.4%**
Bellevue/Kirkland/Redmond	23,580	93.5%	880	726	24,460	93.1%
Bothell/Woodinville	8,174	92.8%	74	187	8,248	94.2%
Issaquah/North Bend	6,315	90.8%	587	341	6,902	88.0%
Southend	**61,861**	**92.2%**	**852**	**916**	**62,713**	**92.4%**
Kent/Auburn	17,112	91.7%	434	345	17,546	91.4%
Maple Valley/Enumclaw	574	93.0%	0	5	574	93.8%
Des Moines/Federal Way	17,686	92.5%	0	153	17,686	93.4%
West/South Seattle	2,675	94.0%	0	20	2,675	94.7%
Burien/Tukwilla	11,393	93.0%	267	209	11,660	92.7%
Renton	12,421	91.3%	151	184	12,572	91.6%
Snohomish County	**37,794**	**91.2%**	**463**	**877**	**38,257**	**92.4%**
Central Everett	2,158	89.5%	0	34	2,158	91.1%
East Snohomish County	2,471	94.1%	0	27	2,471	95.2%
Edmonds	3,268	92.4%	62	88	3,330	93.4%
Lynnwood	6,534	92.8%	0	80	6,534	94.1%
Mill Creek	4,905	90.0%	0	73	4,905	91.5%
Mountlake Terrace	2,326	92.4%	0	29	2,326	93.7%
North Snohomish County	1,267	93.1%	0	15	1,267	94.3%
Paine Field	6,467	88.1%	0	112	6,467	89.8%
Silver Lake	8,398	91.5%	0	418	8,398	96.5%
Pierce County	**40,958**	**93.3%**	**150**	**505**	**41,108**	**94.2%**
Metro Area Total	226,767	92.6%	3,886	4,386	230,653	92.9%

PROJECTED TRENDS BY QUARTER



CURRENT AND PROJECTED OCCUPANCY RATES



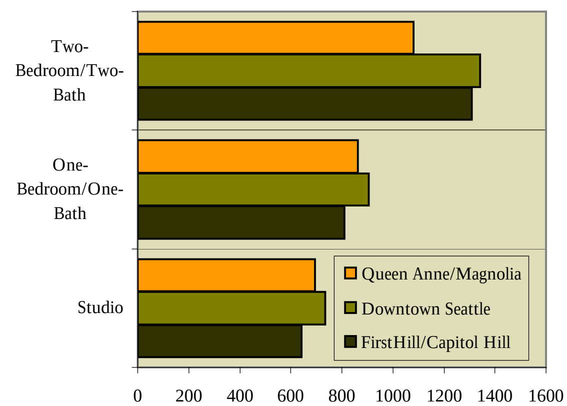
SOURCE: Johnson Gardner

EXHIBIT 17

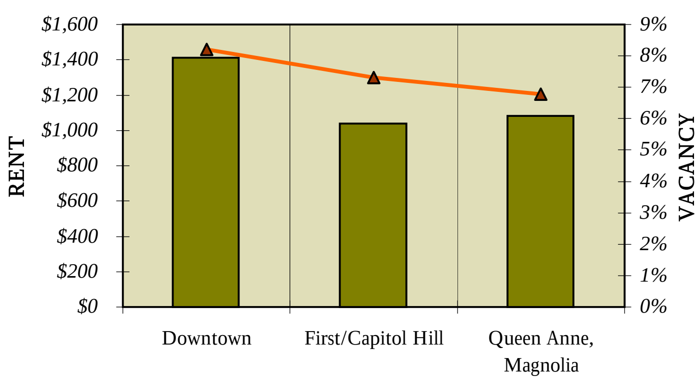
SUBMARKET TRENDS
CENTRAL SEATTLE RENTAL APARTMENT MARKET
THIRD QUARTER 2003

Submarket *Unit Type*	Average Rent/Unit	Market Vacancy	Average Rent/S.F.
Overall Market			
Downtown Seattle			
Studio	$735	15.9%	$1.61
One-Bedroom/One-Bath	$905	5.8%	$1.37
Two-Bedroom/Two-Bath	$1,342	6.6%	$1.48
FirstHill/Capitol Hill			
Studio	$641	7.2%	$1.51
One-Bedroom/One-Bath	$811	7.8%	$1.31
Two-Bedroom/Two-Bath	$1,310	5.0%	$1.33
Queen Anne/Magnolia			
Studio	$696	4.3%	$1.45
One-Bedroom/One-Bath	$862	3.6%	$1.32
Two-Bedroom/Two-Bath	$1,081	5.2%	$1.48

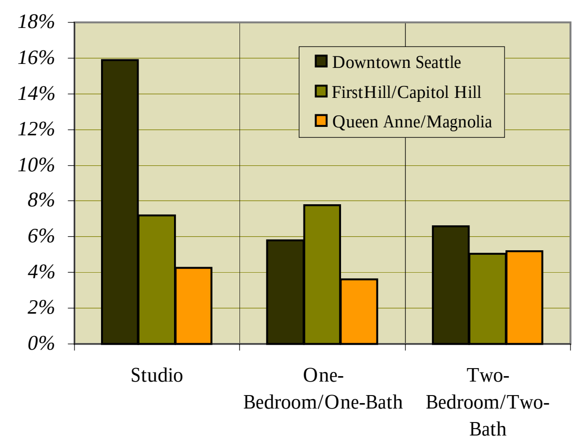
AVERAGE MONTHLY RENT



AVERAGE RENT AND VACANCY COMPARISON BY NEIGHBORHOOD

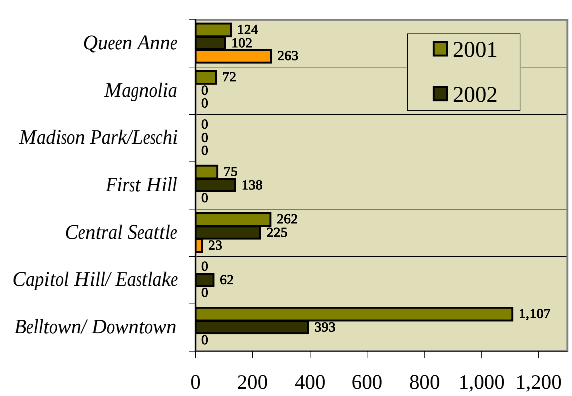


VACANCY COMPARISON BY UNIT TYPE



New Construction Neighborhood	Number of New Units by Year 2001	2002	2003 Proj.
Belltown/ Downtown	1,107	393	0
Capitol Hill/ Eastlake	0	62	0
Central Seattle	262	225	23
First Hill	75	138	0
Magnolia	72	0	0
Queen Anne	124	102	263
Central Seattle Total	1,640	920	286

UNITS COMPLETED BY YEAR



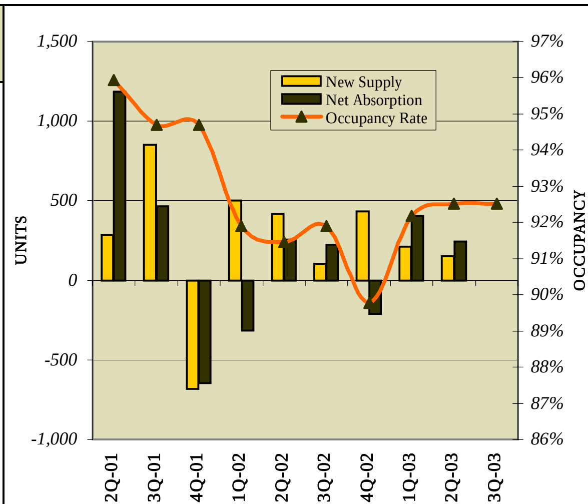
SOURCE: Dupre & Scott, Property Dynamics and Johnson Gardner

EXHIBIT 18

SUBMARKET TRENDS
CENTRAL SEATTLE RENTAL APARTMENT MARKET
THIRD QUARTER 2003

HISTORICAL TRENDS

Quarter	Inventory	Net Additions 1/	Net Absorption	Occupied Units	Occupancy Rate
1Q-99	24,144	-170	-471	23,337	96.7%
3Q-99	24,199	55	166	23,503	97.1%
1Q-00	24,574	375	143	23,645	96.2%
3Q-00	24,827	253	114	23,759	95.7%
4Q-00	26,690	1,863	2,246	26,005	97.4%
1Q-01	27,295	605	-730	25,275	92.6%
2Q-01	27,581	286	1,186	26,461	95.9%
3Q-01	28,432	851	464	26,925	94.7%
4Q-01	27,751	-681	-645	26,280	94.7%
1Q-02	28,254	503	-315	25,965	91.9%
2Q-02	28,673	419	256	26,221	91.4%
3Q-02	28,775	102	223	26,444	91.9%
4Q-02	28,688	434	-212	25,753	89.8%
1Q-03	28,886	213	405	26,626	92.2%
2Q-03	29,039	153	243	26,869	92.5%
3Q-03	29,039	0	0	26,869	92.5%



OCCUPANCY FORECAST

Quarter	Inventory	Net Additions	Net Absorption	Occupied Units	Occupancy Rate
3Q03	29,039	--	--	26,869	92.5%
4Q03	29,124	85	109	26,978	92.6%
1Q04	29,124	0	83	27,061	92.9%
2Q04	29,124	0	83	27,143	93.2%
3Q04	29,500	376	198	27,342	92.7%

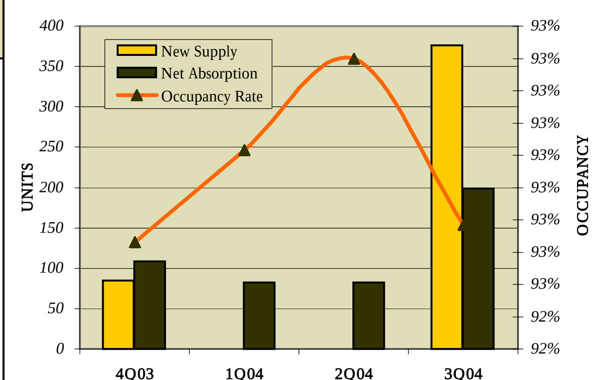
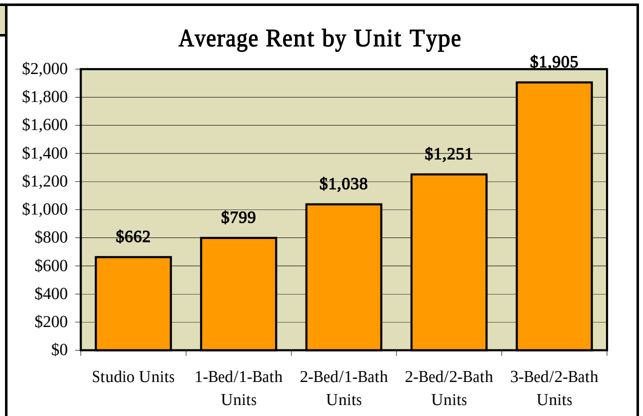
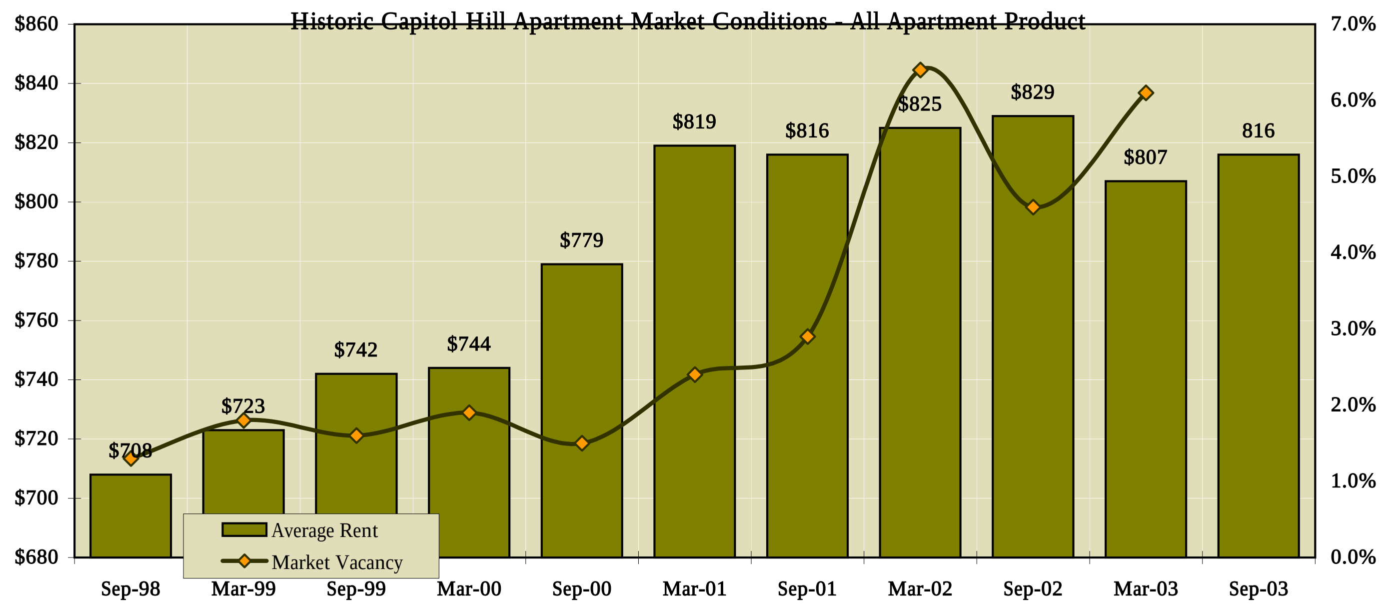


EXHIBIT 19

CURRENT AND HISTORIC MARKET CONDITIONS
CAPITOL HILL MARKET AREA

Current Market Conditions	Rent	Avg. Size	$/s.f.	Vacancy
Studio Units	$662	441	$1.50	5.8%
1-Bed/1-Bath Units	$799	605	$1.32	5.3%
2-Bed/1-Bath Units	$1,038	811	$1.28	6.4%
2-Bed/2-Bath Units	$1,251	948	$1.32	4.9%
3-Bed/2-Bath Units	$1,905	1,500	$1.27	21.1%
All Units	$816	571	$1.43	5.6%





SOURCE: Dupre + Scott & Gardner Johnson

EXHIBIT 20

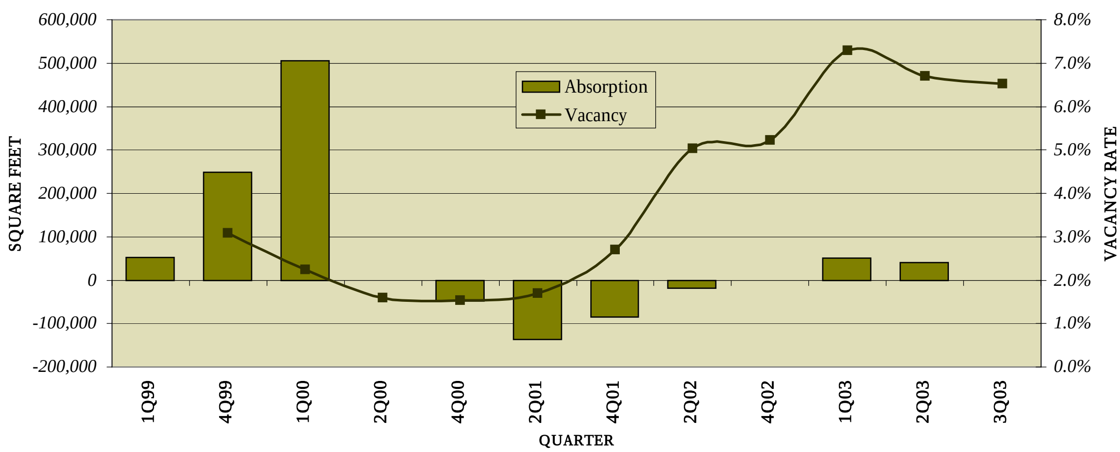
OVERVIEW OF SUBMARKET TRENDS
DOWNTOWN SUBREGION

	Speculative Inventory	New Construction	Inventory Adjustments	Net Absorption	Vacancy Direct	Vacancy Sublease	Vacancy Direct	Vacancy Total
QUARTERLY TRENDS								
4Q99	4,816,804	903,008		53,042	148,839	0	3.09%	3.09%
1Q00	5,030,131	432,828	-219,501	249,016	113,151	0	2.25%	2.25%
2Q00	5,462,959	483,582	-50,754	505,238	87,407	0	1.60%	1.60%
4Q00	1,889,290	205,477	-3,779,146	(304)	29,095	0	1.54%	1.54%
2Q01	1,864,290	179,077	-204,077	(47,653)	25,831	0	1.70%	1.70%
4Q01	2,994,783	39,905	1,090,588	(136,024)	80,859	15,573	2.70%	3.22%
2Q02	3,038,931	0	44,148	(85,159)	153,162	28,566	5.04%	5.98%
4Q02	3,110,931	31,844	40,156	(18,396)	162,702	37,331	5.23%	6.43%
1Q03	3,669,386	0	558,455	0	267,506	2,550	7.29%	7.36%
2Q03	3,237,859	29,600	512,152	51,311	197,674	480	6.70%	6.71%
3Q03	3,853,619	57,758	558,002	40,286	251,655	480	6.53%	6.54%

*Beginning with 2Q00 through 4Q02 data was compiled biannually.

BREAKOUT BY PRODUCT TYPE	Speculative Inventory	New Construction	Inventory Adjustments	Net Absorption	Vacancy Direct	Vacancy Sublease	Vacancy Direct	Vacancy Total
Strip/Specialty/Urban	1,976,725	19,158	1,284,934	(26,935)	186,177	0	9.42%	9.42%
Community/Neighborhood	444,278	38,600	-512,937	17,468	10,141	480	2.28%	2.39%
Mixed Use	1,013,020	0	593,424	(14,686)	53,513	0	5.28%	5.28%
Power/Regional Center	419,596	0	-3,249,790	(214,452)	1,824	0	0.43%	0.43%
Total	3,853,619	57,758	-1,884,369	(238,606)	251,655	480	6.53%	6.54%

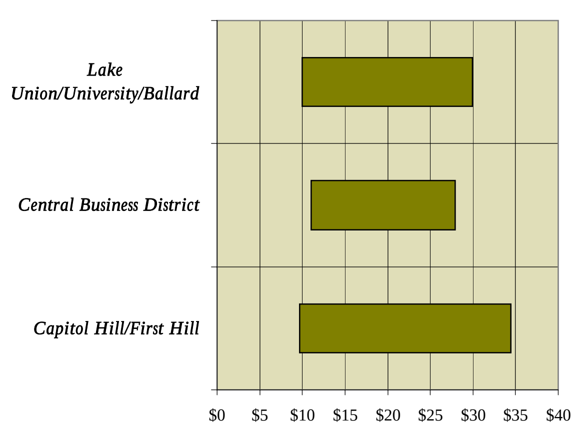
NET ABSORPTION AND VACANCY RATE TRENDS



QUOTED RENT RANGES

AREA	Low	High
Capitol Hill/First Hill	$9.65	$34.50
Central Business District	$11.00	$28.00
Lake Union/University/Ballard	$10.00	$30.00
Pioneer Square/Waterfront	$12.00	$26.00
Total	$9.65	$34.50

TYPE	Average
Strip/Specialty/Urban	$18.65
Community/Neighborhood	$24.67
Mixed Use	$17.11
Power/Regional Center	$19.00

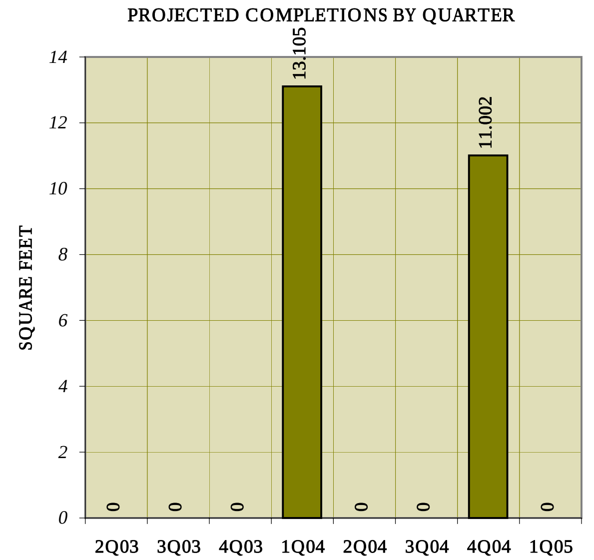


SOURCE: CoStar and Johnson Gardner

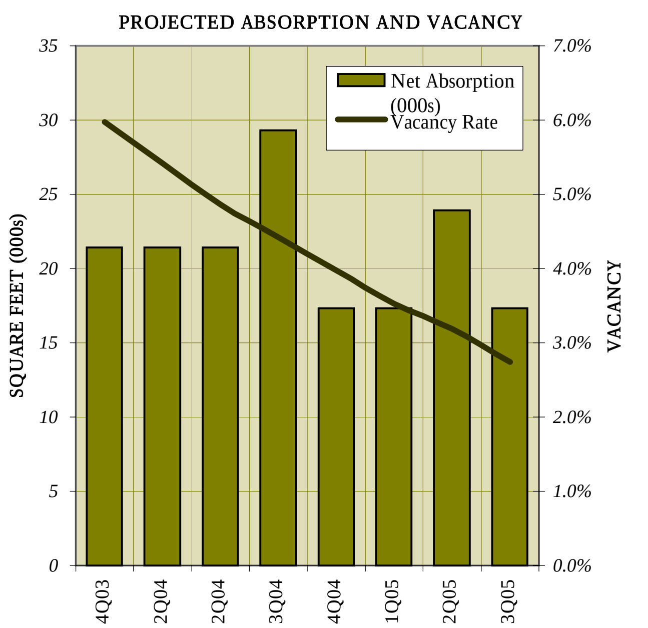
EXHIBIT 21

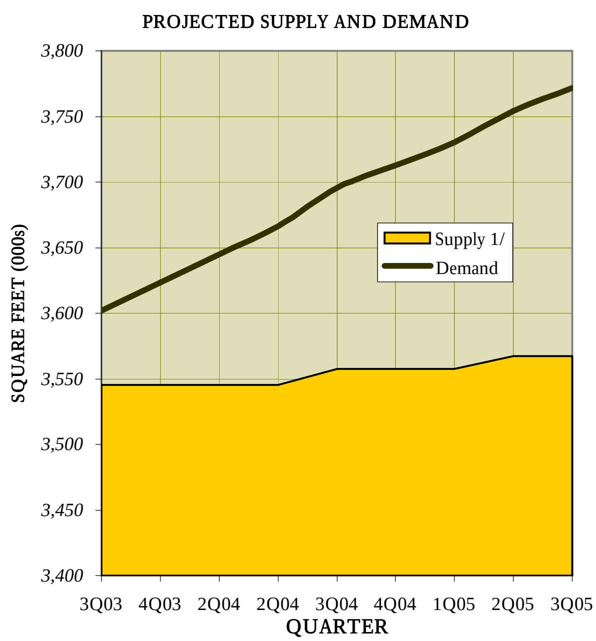
PROJECTED MARKET CONDITIONS
DOWNTOWN SUBREGION

Project Name	Submarket	Square Feet	
Under Construction			
Broadway Plaza	Capitol Hill/First Hi	10,605	1Q04
Counterbalance Lofts	Queen Anne/Magno	2,500	1Q04
Total		13,105	
Planned & Proposed			
The Braeburn	Capitol Hill/First Hi	8,087	4Q04
The Capital	Capitol Hill/First Hi	2,915	4Q04
Affordable Tire & Brake	Queen Anne/Magno	4,500	
3150 Government Way	Queen Anne/Magno	3,700	
Total		19,202	



PROJECTIONS	3Q03	4Q03	2Q04	2Q04	3Q04	4Q04	1Q05	2Q05	3Q05
Inventory (000s)	3,853.6	3,853.6	3,853.6	3,853.6	3,866.7	3,866.7	3,866.7	3,877.7	3,877.7
New Supply (000s)		0.0	0.0	0.0	13.1	0.0	0.0	11.0	0.0
Net Absorption (000s)		26.7	26.7	26.7	34.6	21.9	21.9	28.5	21.9
Occupied Space (000s)	3,602.0	3,628.7	3,655.4	3,682.1	3,716.6	3,738.5	3,760.4	3,788.9	3,810.8
Vacancy Rate - Period End	6.53%	5.84%	5.14%	4.45%	3.88%	3.32%	2.75%	2.29%	1.73%





1/ Assumes a stabilized 8% vacancy rate.

SOURCE: Real-Net and Johnson Gardner

EXHIBIT 22

SUPPORTABLE RETAIL SQUARE FOOTAGE
SPENDING BY RESIDENTS, 2002-2022
CAPITOL HILL MARKET AREA

S.I.C.	Category	Per Household Expenditures	Total Estimated Expenditures		Sales Support Factor		Supportable Square Feet
	2002						
52	Total Building Materials/Hardware Expenditure	$1,511.00	$40,405,651	/	$115	=	351,353
53	Total Variety Store/General Merchandise Store Expenditure	$3,769.98	$100,813,035	/	$135	=	745,199
54	Total Food Store Expenditures	$172.45	$4,611,485	/	$329	=	14,016
56	Apparel and Accessory Expenditures	$4,384.00	$117,232,544	/	$191	=	613,783
57	Total Furniture and Home Furnishings Expenditures	$1,583.00	$42,331,003	/	$165	=	256,552
58	Total Drinking and Eating Establishment Expenditures	$118.87	$3,178,703	/	$186	=	17,090
59	Total Miscellaneous Retail/Drug Store Expenditures	$2,997.84	$80,165,239	/	$204	=	392,411
	Totals/Weighted Averages	$14,537.14	$388,737,661	/	$198	=	2,390,403
	2007						
52	Total Building Materials/Hardware Expenditure	$1,511.00	$42,028,465	/	$115	=	365,465
53	Total Variety Store/General Merchandise Store Expenditure	$3,769.98	$104,861,994	/	$135	=	775,128
54	Total Food Store Expenditures	$172.45	$4,796,697	/	$329	=	14,579
56	Apparel and Accessory Expenditures	$4,384.00	$121,940,960	/	$191	=	638,434
57	Total Furniture and Home Furnishings Expenditures	$1,583.00	$44,031,145	/	$165	=	266,855
58	Total Drinking and Eating Establishment Expenditures	$118.87	$3,306,369	/	$186	=	17,776
59	Total Miscellaneous Retail/Drug Store Expenditures	$2,997.84	$83,384,920	/	$204	=	408,172
	Totals/Weighted Averages	$14,537.14	$404,350,549	/	$198	=	2,486,409

EXHIBIT 23

SURVEY OF RETAIL SPACE
CAPITOL HILL MARKET AREA

Building	Built	Size (s.f.)	Vacancy	Vac. Rate	Lease Rate
1205 East Pike Street Building	1921 (ren 1981)	14,000	7,000	50.0%	$12-$14 N
1221 East Pike	1925 (ren 1996)	21,000	1,980	9.4%	$19-$22 G
1515 12th Avenue	1927	8,500	-	0.0%	$8 N
1918 East Yesler Way	2003	3,549	2,300	64.8%	$20 N
216 Broadway	1928	5,000	-	0.0%	$30 G
502 Rainier Avenue South	2003	8,826	5,713	64.7%	$19-$22 N
Bellevue & Denny Commercial		1,500	1,500	100.0%	$28 N
Belmont Building	N/A (ren 2002)	15,000	-	0.0%	$16 N
Booker Building	1912 (ren 1960)	9,929	-	0.0%	n/a
Bowling Green		9,000	3,223	35.8%	$20 N
Broadway Center	1984	12,000	9,651	80.4%	$18-$25 N
Broadway John	1950	8,858	-	0.0%	n/a
Broadway John (124-128)	1921 (ren 1960)	2,763	-	0.0%	n/a
Broadway Market	1925 (ren 1987)	167,806	7,328	4.4%	n/a
Broadway Retail	1930 (ren 1970)	7,952	-	0.0%	$30 N
Capitol Hill Building	1924	12,000	-	0.0%	$9 N
Denny Corner	2002	4,300	-	0.0%	n/a

EXHIBIT 23

SURVEY OF RETAIL SPACE
CAPITOL HILL MARKET AREA

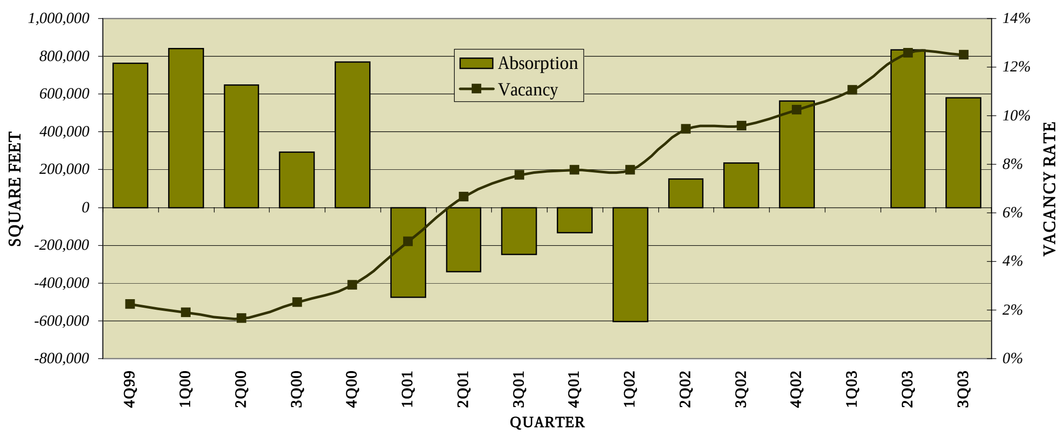
Building	Built	Size (s.f.)	Vacancy	Vac. Rate	Lease Rate
East Madison	1903 (ren 2000)	1,300	-	0.0%	$18 N
Former AEI-REI Building	1912 (ren 1990)	34,914	14,983	42.9%	$14 G
Greenlind Building	1947	14,466	3,000	20.7%	$14-18 G
Harvard House	1905 (ren 1965)	1,725	1,675	97.1%	$14 N
Harvard Market	1997	88,261	1,355	1.5%	$28 N
Lakeside at Leschi	1998	5,673	-	0.0%	$22 N
Madison & Boren Building	1930	1,657	-	0.0%	$18 N
Madison Center	1906 (ren 1984)	14,850	1,152	7.8%	$18 N
Madison East	2003	1,250	-	0.0%	n/a
Madison Service-Retail Center	N/A	8,686	3,140	36.2%	$6-$12 N
Mount Baker Ridge	2000	15,000	2,119	14.1%	$22 G
Parker Building	1927	12,960	-	0.0%	$19.50 N
Pike @ Belmont	1910 (ren 1976)	24,750	-	0.0%	$14-$22 N
Portofino	1910 (ren 1990)	6,783	-	0.0%	$18-$22 N
Stanley Apartments	1910	5,500	450	8.2%	n/a
The Oliver 12th & East Olive	2002	2,800	2,125	75.9%	$15-$17 N
Welch Plaza	UC	17,500	-	0.0%	$15-$23 N
Summary		570,058	68,694	12.1%	

EXHIBIT 24

OVERVIEW OF SUBMARKET TRENDS
CENTRAL SEATTLE MARKET

	Speculative Inventory	Under Construction	Inventory Adjustments	Net Absorption	Vacancy Direct	Vacancy Sublease	Vacancy Direct	Vacancy Total
QUARTERLY TRENDS								
1Q00	33,504,817	1,860,912	-1,112,998	840,506	637,530	245,508	1.90%	2.64%
2Q00	34,076,976	2,631,727	-2,059,568	648,460	561,229	169,798	1.65%	2.15%
3Q00	34,612,054	2,597,643	-2,062,565	291,616	804,691	385,231	2.32%	3.44%
4Q00	35,659,023	2,891,190	-1,844,221	771,444	1,080,216	705,798	3.03%	5.01%
1Q01	36,755,386	2,295,149	-1,198,786	-475,390	1,771,727	1,210,805	4.82%	8.11%
2Q01	38,167,755	1,591,695	-179,326	-338,898	2,537,802	1,982,338	6.65%	11.84%
3Q01	38,883,968	2,149,884	-1,433,671	-248,340	2,935,469	2,037,491	7.55%	12.79%
4Q01	39,272,224	2,113,997	-1,725,741	-131,985	3,043,710	2,099,462	7.75%	13.10%
1Q02	39,508,170	1,859,579	-1,623,633	-604,954	3,069,964	1,062,925	7.77%	10.46%
2Q02	39,659,930	1,783,486	-1,631,726	151,760	3,748,732	2,087,730	9.45%	14.72%
3Q02	39,990,093	1,596,531	-1,266,368	236,829	3,831,038	2,242,246	9.58%	15.19%
4Q02	41,195,604	1,596,531	-391,020	564,274	4,214,401	2,465,371	10.23%	16.21%
1Q03	47,086,604	260,636	5,630,364	0	5,206,340	1,963,203	11.06%	15.23%
2Q03	47,108,129	1,784,968	-1,763,443	833,665	5,925,023	1,902,797	12.58%	16.62%
3Q03	47,211,108	552,060	-449,081	579,866	5,901,554	1,824,964	12.50%	16.37%
BREAKOUT BY CLASS*								
Class A	24,240,523	545,060	-645,399	206,723	2,961,079	1,441,860	1.09%	1.65%
Class B	18,265,487	7,000	104,258	(204,545)	2,446,500	321,895	1.35%	1.67%
Class C	4,705,098	0	113,585	(77,066)	493,975	61,209	1.10%	1.16%
Total	47,211,108	552,060	-427,556	-74,888	5,901,554	1,824,964	12.50%	16.37%
BREAKOUT BY SUBMARKET								
Capitol Hill/First Hill	2,982,420	10,000	468,893	(128,804)	436,932	2,290	14.65%	14.73%
CBD	25,862,434	207,000	-219,305	54,328	2,883,219	1,041,870	11.15%	15.18%
Denny Regrade	5,562,621	0	295,346	(44,338)	636,822	168,282	11.45%	14.47%
Lake Union	4,720,661	248,060	-360,703	35,350	774,983	152,066	16.42%	19.64%
Pioneer Square	4,821,001	0	-89,503	(126,877)	751,222	324,280	15.58%	22.31%
Queen Anne	3,261,971	87,000	-522,284	135,454	418,376	136,176	12.83%	17.00%
Total	47,211,108	552,060	-427,556	-74,888	5,901,554	1,824,964	12.50%	16.37%

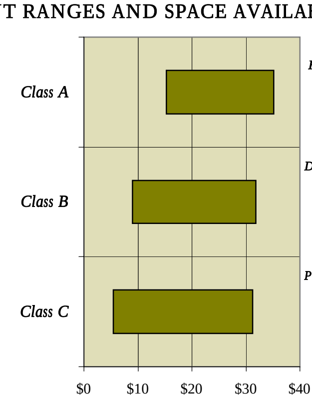
NET ABSORPTION AND VACANCY RATE TRENDS

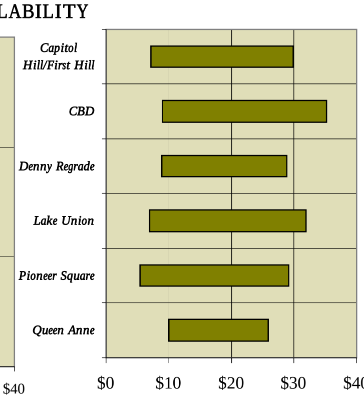


QUOTED RENT RANGES AND SPACE AVAILABILITY

BY CLASS	Low	High
Class A	$15.25	$35.27
Class B	$9.00	$32.00
Class C	$5.41	$31.36
Total	$5.41	$35.27

QUOTED RENTS	Low	High
Capitol Hill/First Hill	$7.20	$30.00
CBD	$9.00	$35.27
Denny Regrade	$8.95	$29.00
Lake Union	$7.00	$32.00
Pioneer Square	$5.41	$29.22
Queen Anne	$10.00	$25.98
Total	$5.41	$35.27





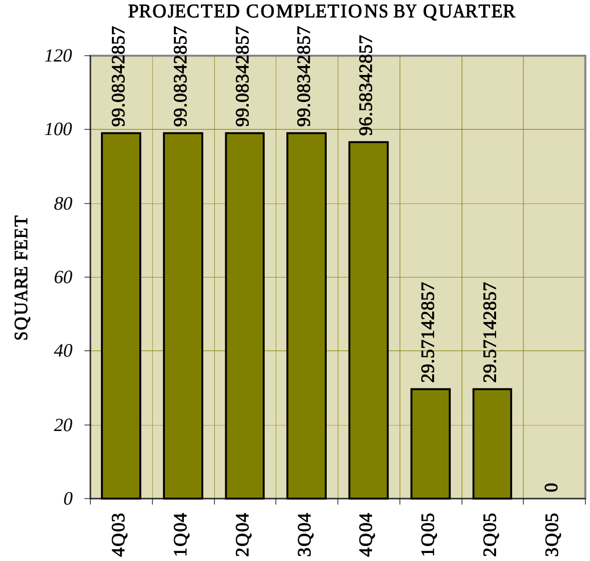
SOURCE: Commercial Space Online and Gardner Johnson

EXHIBIT 25

PROJECTED MARKET CONDITIONS
CENTRAL SEATTLE MARKET

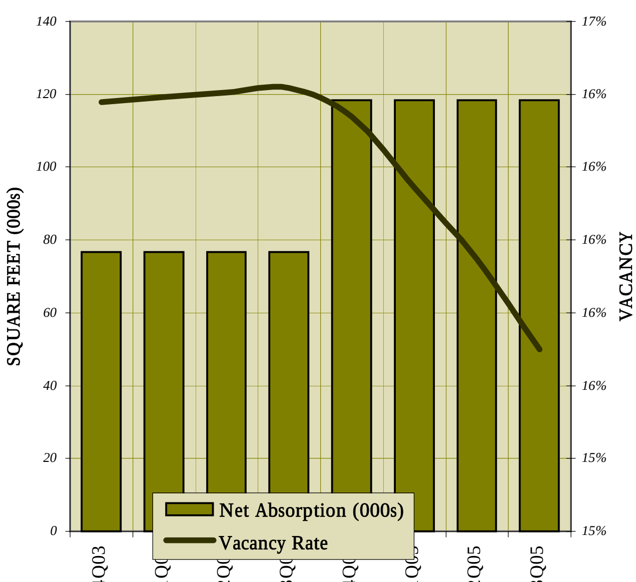
Project Name	Square Feet	Available SF
Under Construction		
See Construction Projects under Exhibit 26		
Total	552,060	83,455
Planned & Proposed		
See Proposed Projects under Exhibit .04		
Total	4,093,308	3,222,012

PROJECTED COMPLETIONS BY QUARTER

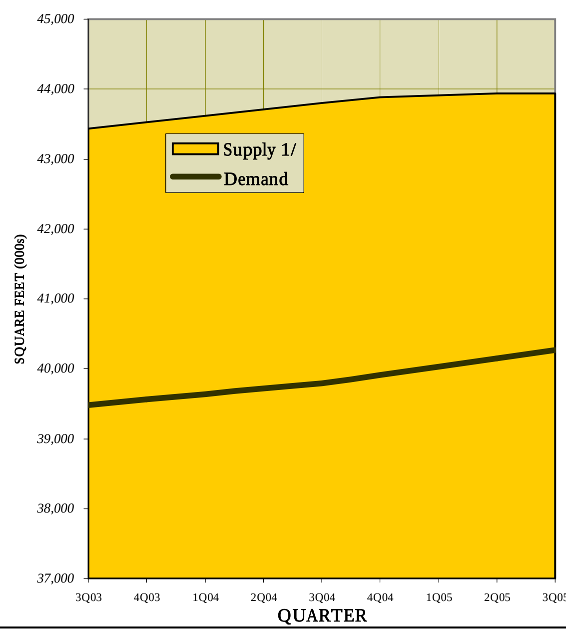


PROJECTIONS	2Q03	3Q03	4Q03	1Q04	2Q04	3Q04	4Q04	1Q05	2Q05
Inventory (000s)	47,211	47,310	47,409	47,508	47,607	47,704	47,734	47,763	47,763
New Supply (000s)		99.1	99.1	99.1	99.1	96.6	29.6	29.6	0.0
Net Absorption (000s)		76.8	76.8	76.8	76.8	118.3	118.3	118.3	118.3
Occupied Space (000s)	39,485	39,561	39,638	39,715	39,792	39,910	40,028	40,146	40,265
Vacancy Rate - Period End	16.4%	16.4%	16.4%	16.4%	16.4%	16.3%	16.1%	15.9%	15.7%

PROJECTED ABSORPTION AND VACANCY



PROJECTED SUPPLY AND DEMAND



1/ Assumes a stabilized 8% vacancy rate.

SOURCE: Commercial Space Online and Johnson Gardner

EXHIBIT 26

OFFICE SPACE UNDER CONSTRUCTION
CENTRAL SEATTLE MARKET

Project Name	Submarket	Square Feet	Available Square Feet
DOWNTOWN			
Amgen	Capitol Hill/First Hill	10,000	
Exchange 3	Lake Union/University/Ballard	133,000	
307 Westlake	Lake Union/University/Ballard	115,060	1,731
9th & Stewart Life Science Bldg	Central Business District	207,000	81,724
Amgen	Queen Anne	80,000	
2425 33rd Ave W	Queen Anne	7,000	
Total	Downtown	552,060	83,455

SOURCE: Commercial Space Online and Johnson Gardner

EXHIBIT 27

OFFICE SPACE PROPOSED
CENTRAL SEATTLE MARKET

Project Name	Submarket	Square Feet	Available Square Feet
DOWNTOWN			
Gateway Square	Capitol Hill/First Hill	300,000	300,000
SAM/Washington Mutual Tower	Central Business District	775,000	
Stewart Place	Central Business District	650,000	650,000
Third & Battery Bldg	Denny Regrade	52,400	52,400
2000 Third Avenue	Denny Regrade	283,374	283,374
2121 Sixth	Denny Regrade	160,022	160,022
600 Denny Way	Denny Regrade	100,044	100,044
1100 Eastlake Building	Lake Union/University/Ballard	175,250	163,220
428 Westlake Building	Lake Union/University/Ballard	85,000	6,000
Exchange 5	Lake Union/University/Ballard	128,500	128,500
Exchange 4	Lake Union/University/Ballard	134,000	134,000
Exchange 2	Lake Union/University/Ballard	107,000	107,000
100 NE Northlake	Lake Union/University/Ballard	24,227	24,227
83 King St Phase II	Pioneer Square/Waterfront	203,000	203,000
Colman Tower	Pioneer Square/Waterfront	190,200	190,200
Fifth & Yesler Bldg	Pioneer Square/Waterfront	565,241	563,475
220 Elliot	Queen Anne	75,000	71,500
600 Elliott Office West	Queen Anne	85,050	85,050
Total	Downtown	4,093,308	3,222,012

SOURCE: Commercial Space Online and Johnson Gardner

EXHIBIT 28

SURVEY OF AREA OFFICE PROJECTS
CAPITOL HILL MARKET AREA

Building Address	Building Size	Space Vacant	Vacancy Rate	Lease Rate (NNN)
714 10th Avenue	2,480	-	0.0%	
710 10th Avenue E.	1,900	-	0.0%	
1515 12th Avenue	9,300	-	0.0%	
1625 12th Avenue	5,549	2,125	38.3%	$15.66
1601 13th Avenue	10,356	2,520	24.3%	$15.00
101 14th Avenue E.	1,684	-	0.0%	
115 15th Avenue E.	6,000	-	0.0%	
122 16th Avenue E.	19,817	-	0.0%	
607 19th Avenue E.	13,650	-	0.0%	
1808 Bellevue Avenue	63,102	-	0.0%	
120 Bellmont Avenue	7,500	-	0.0%	
208 Boylston Avenue	750	-	0.0%	
216 Broadway Avenue	10,280	1,350	13.1%	$22.00
430 Broadway Avenue	8,306	4,000	48.2%	$16.00
1833 Harvard Avenue	11,250	-	0.0%	
1601 E. John Street	18,844	-	0.0%	
1411 E. Olive Way	1,236	-	0.0%	
1651 E. Olive Way	15,740	-	0.0%	
423 E. Pike Street	7,225	-	0.0%	
615 E. Pike Street	1,500	-	0.0%	
911 E. Pike Street	20,000	-	0.0%	
1016 E. Pike Street	26,314	15,944	60.6%	$18.00
1114 E. Pike Street	20,000	-	0.0%	
1402 E. Pike Street	8,939	-	0.0%	
300 E. Pine Street	19,880	-	0.0%	
417 E. Pine Street	6,783	3,047	44.9%	
1021 E. Pine Street	19,200	-	0.0%	
1607 Summit Avenue	1,800	-	0.0%	
722 E. Union Street	14,000	-	0.0%	
1415 10th Avenue	20,000	-	0.0%	
2412 10th Avenue E.	1,590	-	0.0%	
1612 12th Avenue	16,000	-	0.0%	
1711 12th Avenue	5,373	-	0.0%	
1607 13th Avenue	11,000	-	0.0%	
1525 14th Avenue E.	4,300	-	0.0%	
1601 16th Avenue	13,552	-	0.0%	
500 19th Avenue E.	13,744	-	0.0%	

EXHIBIT 28

SURVEY OF AREA OFFICE PROJECTS
CAPITOL HILL MARKET AREA

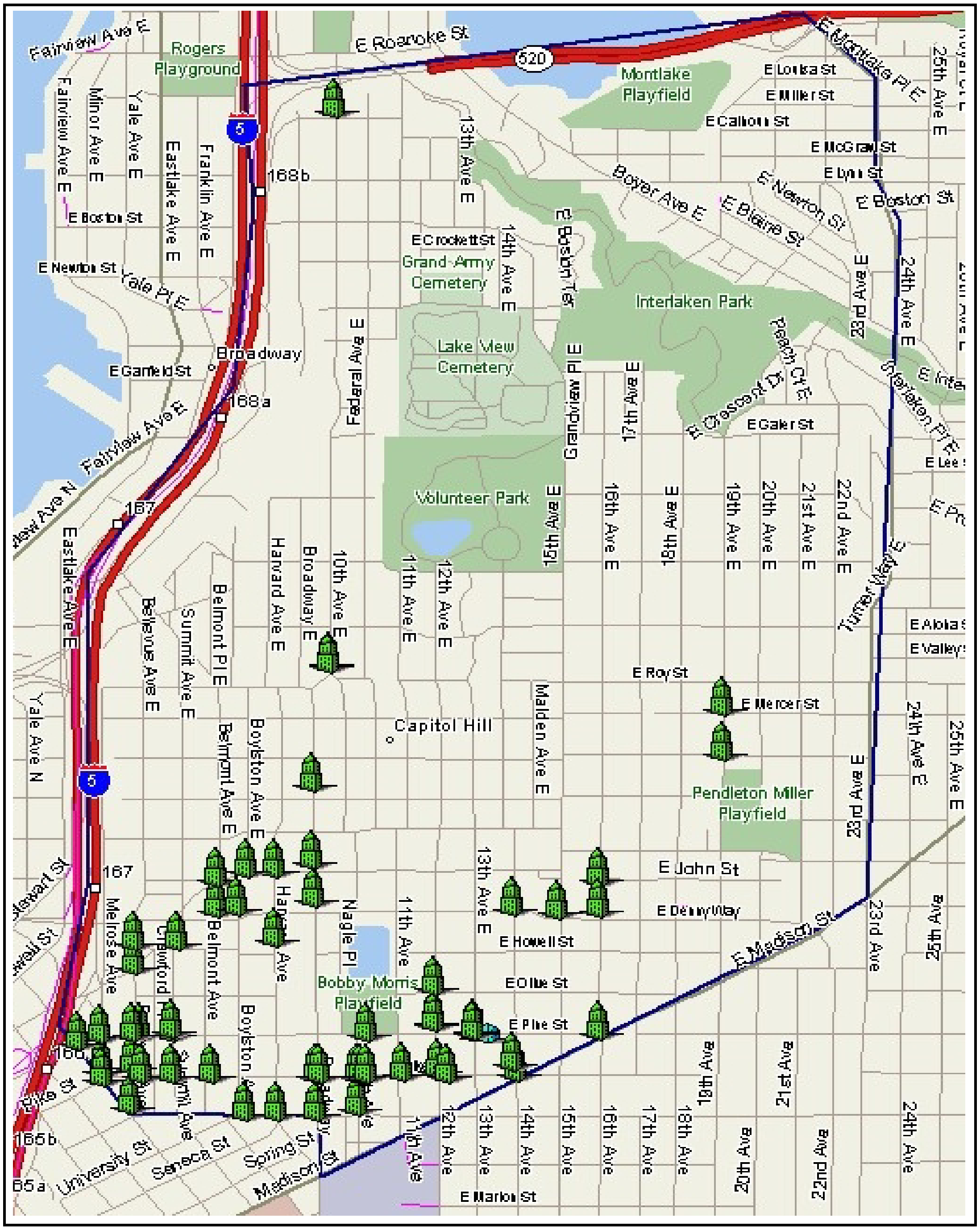
Building Address	Building Size	Space Vacant	Vacancy Rate	Lease Rate (NNN)
1520 Bellevue Avenue	10,368	5,184	50.0%	$15.00
1422 E. Belleveu Avenue	12,000	-	0.0%	
123 Boylston Avenue	7,700	-	0.0%	
1400 Broadway Avenue	5,360	-	0.0%	
126 Broadway Avenue	2,750	-	0.0%	
1401 Harvard Avenue	7,514	7,514	100.0%	$14.00
207 Harvard Avenue E.	3,350	3,350	100.0%	
1516 Melrose Avenue	2,547	1,100	43.2%	$17.46
1416 E. Olive Way	1,552	-	0.0%	
300 E. Pike Street	8,000	-	0.0%	
500 E. Pike Street	13,000	-	0.0%	
900 E. Pike Street	50,000	-	0.0%	
1000 E. Pike Street	34,000	14,983	44.1%	$14.00
1024 E. Pike Street	24,000	-	0.0%	
1221 E. Pike Street	23,500	1,980	8.4%	$19.50
1216 Pine Street	13,000	11,400	87.7%	$19.84
400 E. Pine Street	24,620	2,876	11.7%	$15.55
501 E. Pine Street	13,300	-	0.0%	
1318 E. Pine Street	6,108	3,988	65.3%	$10.80
1814 E. Summit Avenue	28,101	1,250	4.4%	$15.00

Summary of Capitol Hill Office Projects

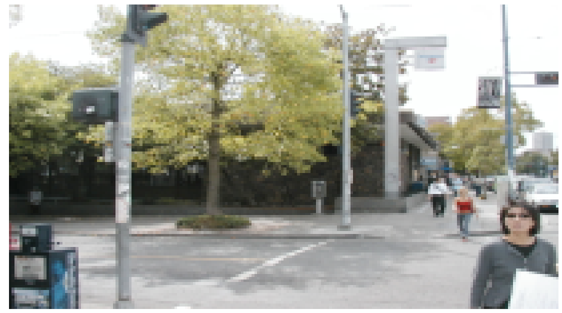
Number of Properties	57
Total Square Feet	729,714
Average Property Size	12,802
Total Vacancy (s.f.)	82,611
Vacancy Rate	11.3%
Average Lease Rate (NNN)	$16.27

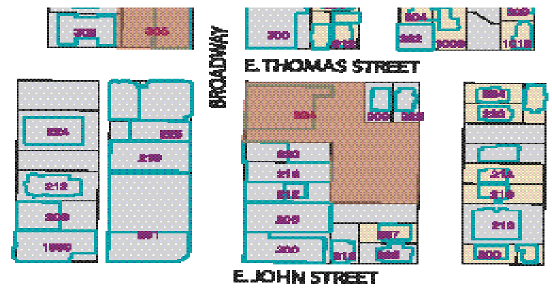
EXHIBIT 29

LOCATIONS OF AREA OFFICE PROJECTS
CAPITOL HILL MARKET AREA



SITE ONE: Bank of America





Location: Southeast corner of Broadway and E. Thomas

Size/Square Feet: 39,680

Ownership: Bank of America

Current Improvements: Operating bank with parking lot in rear

2003 Assessed Value:

- Land: $3,571,200
- Improvements: $1,000
- Total: $3,572,200
- Assessed Value/SF: $90.03

Entitlements:

- Zoning: NC3-40 on Western Portion, L-3RC on Eastern Portion

Summary: This site is well located in the center of the district. The size of the site is excellent, but the configuration presents some difficulties. Assemblege of the parcels to the south on Broadway may be possible, but potentially cost prohibitive. The following are the sizes and assessed values of the three parcels fronting Broadway.

Parcel	SF	Value	Value/SF
218 Broadway	5,120	$626,900	$122.44
216 Broadway	5,120	$1,203,300	$235.02
212 Broadway	5,120	$461,800	$90.20

SOURCE: City of Seattle DCLU and Gardner Johnson LLC

SITE ONE: Bank of America

OPTION A

SPLIT ZONING

SITE ONE: Bank of America
SPLIT ZONING
SUMMARY INFORMATION

October 17, 2003

AREA SUMMARY:			
Parcel Size (SF)			39,680
Building Size (SF)			109,600
Efficiency Ratio (Residential)			85%
Saleable and Leasable Area (SF)			101,260
Units			30
Density (Units/Acre)			32.93
INCOME SUMMARY:			
	Total SF	Average Price/SF	Gross Sales Income
Condominiums	25,500	$337.25	$8,600,000
			Gross Income
Rental Apartments	0	$0.00	$0
Office Space	29,184	$17.00	$496,128
Retail	13,056	$20.00	$261,120
Parking	33,520	$1.24	$41,400
Vacancy/Collection			($79,865)
TOTAL	75,760	$9.49	**$718,783**
COST SUMMARY:			
	Per SF		**Total**
Acquisition Cost	$32.59		$3,572,200
Direct Construction Cost	$96.84		10,613,520
Other Construction	$0.00		0
Soft Costs	$22.56		2,472,544
TOTAL	$151.99		**$16,658,264**
EQUITY ASSUMPTIONS:			
Total Development Cost			**$16,658,264**
(-) Loan			(7,296,621)
(-) Applied Condomium Revenue			(7,473,630)
Net Equity Required		11.3%	**$1,888,013**

CONSTRUCTION LOAN ASSUMPTIONS:		
Construction Loan Amount		**$13,746,621**
Interest Rate		6.00%
Term (months)		18
Drawdown Factor		0.55
Construction Interest (Capitalized)		**$453,638**
Construction Loan Fee (%)		1.00%
Construction Loan Fee ($)		**$137,466**
PERMANENT FINANCING ASSUMPTIONS:		
	DCR	**LTV**
Interest Rate	7.50%	7.50%
Term (Years)	30	30
Debt-Coverage Ratio	**1.20**	
Loan-to-Value		**80%**
Stabilized NOI (Year 2)	$734,674	$734,674
CAP Rate		8.00%
Supportable Mortgage	**$7,296,621**	**$7,346,740**
Annual Debt Service	**$612,228**	**$616,434**
MEASURES OF RETURN:		
Indicated Value @ Stablization		$9,183,425
Value/Cost		104%
Return on Investment (ROI)		8.0%
Return on Sales (ROS)		8.2%
Internal Rate of Return		24.0%
Modified Internal Rate of Return @ 8% Reinventment		20.8%
ESTIMATION OF VIABILITY GAP		
Targeted Return on Sales		15.00%
Calculated ROS		8.17%
Calculated Gap-Condos		$510,674
Targeted Return on Investment (ROI)		12.0%
Calculated ROI		8.0%
Calculated Gap-Income Components		$3,062,350
Overall Gap as % of Development Cost		21.4%

SOURCE: Gardner Johnson LLC

SITE ONE: Bank of America
SPLIT ZONING
INCOME ASSUMPTIONS

FOR-SALE RESIDENTIAL PROGRAM						
	NO. OF UNITS	TOTAL SF	SALES PRICE/S.F.	PARKING SALES 1/	AVG PRICE/ UNIT	TOTAL INCOME
Floors 2-3	30	25,500	$300	$31,667	$286,667	$8,600,000
Floors 4-5	0	0	$325	$31,667	$0	$0
TOTAL	30	25,500	$300		$255,000	$8,600,000

RENTAL RESIDENTIAL PROGRAM						
	NO. OF UNITS	TOTAL SF	MONTH RENT/S.F.	AVERAGE RENT	MONTHLY INCOME	ANNUAL INCOME
Floors 2-3	0	0	$1.65	$0	$0	$0
Floors 4-5	0	0	$1.98	$0	$0	$0
TOTAL	0	0	$0.00		$0	$0

OFFICE						
	TOTAL SF	NET/ GROSS	LEASABLE SF		ANNUAL RENT/SF	ANNUAL INCOME
Floors 2-3	30,720	95%	29,184		$17.00	$496,128
Floors 4-5	0	85%	0		$0.00	$0
TOTAL	30,720		29,184		$17.00	$496,128

RETAIL						
	TOTAL SF	NET/ GROSS	LEASABLE SF		ANNUAL RENT/SF	ANNUAL INCOME
Retail-Ground Floor	15,360	85%	13,056		$20.00	$261,120
Retail-Second Floor	0	85%	0		$18.00	$0
TOTAL	15,360		13,056		$20.00	$261,120

PARKING						
	# OF SPACES		TOTAL SF		ANNUAL RENT/SF	ANNUAL INCOME
For-Sale Parking	38		24,320		$0.00	$0
Income Parking	23		9,200		$4.50	$41,400
TOTAL	61		33,520		$1.24	$41,400

1/ Assumes spaces sold at $25,000 per space.

SOURCE: Gardner Johnson LLC

SITE ONE: Bank of America
SPLIT ZONING
DEVELOPMENT COST ESTIMATE

	Area/ Basis	Unit	Cost	Total Cost
Acquisition Cost:				$3,572,200
Construction Costs:				
Seismic Upgrades			$0	
Residential Construction Costs	30,000	$ 110.00	$3,300,000	
Office Construction Costs	30,720	$ 100.00	$3,072,000	
Commercial Construction Costs (Ground Floor)	15,360	$ 100.00	1,536,000	
Parking Construction Costs	33,520	$ 70.00	2,346,400	
Contingency/General Conditions		5.0%	359,120	
TOTAL				$10,613,520
Pre-Development Consultants:				
Architecture/Engineering Studies		LS	$0	
Project Management		LS	100,000	
Market Study/Appraisal		LS	10,000	
Geotechnical Report		LS	5,000	
Environmental Studies		LS	3,000	
Traffic Study		LS	6,000	
Other		LS	5,000	
Subtotal				$129,000
Architecture & Engineering Fees:				
Architecture/Engineering/Interior Design		7.0%	$742,946	
Civil Engineering		LS	0	
Landscape Design		LS	5,000	
Geotechnical Inspections		LS	5,000	
Other Consultants		LS	5,000	
Construction Testing & Inspection		LS	5,000	
Consultant Reimbursables		LS	15,000	
Subtotal				$777,946
Development Fees & Administration:				
Developer Fee		5.0%	$530,676	
Construction Administration		LS	195,000	
Builder's Risk Insurance		LS	6,000	
Miscellaneous Costs		LS	5,000	
Soft Cost Contingency		LS	20,000	
Subtotal				$756,676
Building Permit Fee and System Charges:				
City Permit/Fee Allowance		LS	$94,850	
Subtotal				$94,850
Legal & Accounting Fees:				
Legal Fees		LS	$50,000	
Subtotal				$50,000

SOURCE: Gardner Johnson LLC

SITE ONE: Bank of America
SPLIT ZONING
DEVELOPMENT COST ESTIMATE

	Area/ Basis	Unit	Cost	Total Cost
Construction Financing & Carrying Costs:				
Loan Fee		1.0%	$137,466	
Interest on Construction Loan			453,638	
Subtotal				$591,105
Permanant Financing Fees & Costs:				
Loan Fee		1.0%	$72,966	
Subtotal				$72,966
Total Soft Costs				$2,472,544
TOTAL DEVELOPMENT COSTS				$16,658,264
SOFT COSTS %				14.8%

SOURCE: Gardner Johnson LLC

SITE ONE: Bank of America
SPLIT ZONING
TEN-YEAR CASH FLOW

		Lease-up	*Stabilized*	YEAR							
		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
Gross Scheduled Income/Residential		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Gross Scheduled Income/Office		$496,128	$511,012	$526,342	$542,132	$558,396	$575,148	$592,403	$610,175	$628,480	$647,335
Gross Scheduled Income/Retail		261,120	268,954	277,022	285,333	293,893	302,710	311,791	321,145	330,779	340,702
Gross Scheduled Income/Parking		41,400	42,642	43,921	45,239	46,596	47,994	49,434	50,917	52,444	54,018
Miscellaneous Income		0	0	0	0	0	0	0	0	0	0
Vacancy & Collection Loss		(399,324)	(79,865)	(82,261)	(84,729)	(87,270)	(89,889)	(92,585)	(95,363)	(98,224)	(101,170)
EFFECTIVE GROSS INCOME		**$399,324**	**$742,743**	**$765,025**	**$787,976**	**$811,615**	**$835,963**	**$861,042**	**$886,874**	**$913,480**	**$940,884**
(-) Operating Expenses - Residential		0	0	0	0	0	0	0	0	0	0
(-) Operating Expenses - Commercial		(7,834)	(8,069)	(8,311)	(8,560)	(8,817)	(9,081)	(9,354)	(9,634)	(9,923)	(10,221)
NET OPERATING INCOME		**$391,490**	**$734,674**	**$756,714**	**$779,416**	**$802,798**	**$826,882**	**$851,689**	**$877,239**	**$903,556**	**$930,663**
(-) Annual Debt Service		0	(612,228)	(612,228)	(612,228)	(612,228)	(612,228)	(612,228)	(612,228)	(612,228)	(612,228)
CASH FLOW (PRE-TAX)		**$391,490**	**$122,446**	**$144,486**	**$167,187**	**$190,570**	**$214,654**	**$239,460**	**$265,011**	**$291,328**	**$318,435**
Total Developer Cash Flow		$337,346	$122,446	$144,486	$167,187	$190,570	$214,654	$239,460	$265,011	$287,265	$300,818
Return on Equity	$1,888,013	17.87%	6.49%	7.65%	8.86%	10.09%	11.37%	12.68%	14.04%	15.22%	15.93%
Present Value		$4,893,630	$9,183,425	$9,458,928	$9,742,696	$10,034,977	$10,336,026	$10,646,107	$10,965,490	$11,294,455	$11,633,289
Cap Rate	8.00%										
Primary Debt Coverage Ratio			1.20	1.24	1.27	1.31	1.35	1.39	1.43	1.48	1.52
Total Debt Coverage Ratio			1.20	1.24	1.27	1.31	1.35	1.39	1.43	1.48	1.52
Return on Investment (NOI/Cost)			4.4%	4.5%	4.7%	4.8%	5.0%	5.1%	5.3%	5.4%	5.6%

SOURCE: Gardner Johnson LLC

SITE ONE: Bank of America

OPTION B

CONSISTENT ZONING

SITE ONE: Bank of America
CONSISTENT ZONING
SUMMARY INFORMATION

October 17, 2003

AREA SUMMARY:	
Parcel Size (SF)	39,680
Building Size (SF)	111,104
Efficiency Ratio (Residential)	85%
Saleable and Leasable Area (SF)	99,008
Units	71
Density (Units/Acre)	77.94

CONSTRUCTION LOAN ASSUMPTIONS:	
Construction Loan Amount	**$16,483,868**
Interest Rate	6.00%
Term (months)	18
Drawdown Factor	0.55
Construction Interest (Capitalized)	**$543,968**
Construction Loan Fee (%)	1.00%
Construction Loan Fee ($)	**$164,839**

INCOME SUMMARY:	Total SF	Average Price/SF	Gross Sales Income
Condominiums	60,710	$331.30	$20,113,120
			Gross Income
Rental Apartments	0	$0.00	$0
Office Space	0	$0.00	$0
Retail	7,834	$20.00	$156,672
Parking	30,464	$0.00	$0
Vacancy/Collection			($15,667)
TOTAL	**38,298**	$3.68	**$141,005**

PERMANENT FINANCING ASSUMPTIONS:	DCR	LTV
Interest Rate	7.50%	7.50%
Term (Years)	30	30
Debt-Coverage Ratio	**1.20**	
Loan-to-Value		**80%**
Stabilized NOI (Year 2)	$140,864	$140,864
CAP Rate		8.00%
Supportable Mortgage	**$1,399,028**	**$1,408,638**
Annual Debt Service	**$117,386**	**$118,193**

COST SUMMARY:	Per SF		Total
Acquisition Cost	$32.15		$3,572,200
Direct Construction Cost	$103.11		11,456,256
Other Construction	$0.00		0
Soft Costs	$23.86		2,650,805
TOTAL	$159.12		**$17,679,261**

MEASURES OF RETURN:	
Indicated Value @ Stablization	$1,760,797
Value/Cost	117%
Return on Investment (ROI)	6.2%
Return on Sales (ROS)	22.6%
Internal Rate of Return	12.3%
Modified Internal Rate of Return @ 8% Reinventment	11.7%

EQUITY ASSUMPTIONS:		
Total Development Cost		**$17,679,261**
(-) Loan		(1,399,028)
(-) Applied Condomium Revenue		(15,415,181)
Net Equity Required	**4.9%**	**$865,052**

ESTIMATION OF VIABILITY GAP	
Targeted Return on Sales	15.0%
Calculated ROS	22.6%
Calculated Gap-Condos	($1,178,875)
Targeted Return on Investment (ROI)	12.0%
Calculated ROI	6.2%
Calculated Gap-Income Components	$1,090,215
Overall Gap as % of Development Cost	-0.5%

SOURCE: Gardner Johnson LLC

SITE ONE: Bank of America
CONSISTENT ZONING
INCOME ASSUMPTIONS

FOR-SALE RESIDENTIAL PROGRAM						
	NO. OF UNITS	TOTAL SF	SALES PRICE/S.F.	PARKING SALES 1/	AVG PRICE/ UNIT	TOTAL INCOME
Floors 2-3	71	60,710	$300	$26,761	$283,283	$20,113,120
Floors 4-5	0	0	$325	$26,761	$0	$0
TOTAL	71	60,710	$300		$256,523	$20,113,120
RENTAL RESIDENTIAL PROGRAM						
	NO. OF UNITS	TOTAL SF	MONTH RENT/S.F.	AVERAGE RENT	MONTHLY INCOME	ANNUAL INCOME
Floors 2-3	0	0	$1.65	$0	$0	$0
Floors 4-5	0	0	$1.98	$0	$0	$0
TOTAL	0	0	$0.00		$0	$0
OFFICE						
	TOTAL SF	NET/ GROSS	LEASABLE SF		ANNUAL RENT/SF	ANNUAL INCOME
Floors 2-3	0	95%	0		$17.00	$0
Floors 4-5	0	85%	0		$0.00	$0
TOTAL	0		0		$0.00	$0
RETAIL						
	TOTAL SF	NET/ GROSS	LEASABLE SF		ANNUAL RENT/SF	ANNUAL INCOME
Retail-Ground Floor	9,216	85%	7,834		$20.00	$156,672
Retail-Second Floor	0	85%	0		$18.00	$0
TOTAL	**9,216**		**7,834**		**$20.00**	**$156,672**
PARKING						
	# OF SPACES	NET REVENUE	TOTAL SF		ANNUAL RENT/SF	ANNUAL INCOME
Housing Parking	76	$0	30,464		$0.00	$0
Retail Parking	0	$0	0		#DIV/0!	$0
TOTAL	76	$0	**30,464**		**$0.00**	**$0**

1/ Assumes spaces sold at $25,000 per space.

SOURCE: Gardner Johnson LLC

SITE ONE: Bank of America
CONSISTENT ZONING
DEVELOPMENT COST ESTIMATE

	Area/ Basis	Unit	Cost	Total Cost
Acquisition Cost:				$3,572,200
Construction Costs:				
Seismic Upgrades			$0	
Residential Construction Costs	71,424	$ 110.00	$7,856,640	
Office Construction Costs	0	$ 100.00	$0	
Commercial Construction Costs (Ground Floor)	9,216	$ 100.00	921,600	
Parking Construction Costs	30,464	$ 70.00	2,132,480	
Contingency/General Conditions		5.0%	545,536	
TOTAL				$11,456,256
Pre-Development Consultants:				
Architecture/Engineering Studies		LS	$0	
Project Management		LS	100,000	
Market Study/Appraisal		LS	10,000	
Geotechnical Report		LS	5,000	
Environmental Studies		LS	3,000	
Traffic Study		LS	6,000	
Other		LS	5,000	
Subtotal				$129,000
Architecture & Engineering Fees:				
Architecture/Engineering/Interior Design		7.0%	$801,938	
Civil Engineering		LS	0	
Landscape Design		LS	5,000	
Geotechnical Inspections		LS	5,000	
Other Consultants		LS	5,000	
Construction Testing & Inspection		LS	5,000	
Consultant Reimbursables		LS	15,000	
Subtotal				$836,938
Development Fees & Administration:				
Developer Fee		5.0%	$572,813	
Construction Administration		LS	195,000	
Builder's Risk Insurance		LS	6,000	
Miscellaneous Costs		LS	5,000	
Soft Cost Contingency		LS	20,000	
Subtotal				$798,813
Building Permit Fee and System Charges:				
City Permit/Fee Allowance		LS	$113,258	
Subtotal				$113,258
Legal & Accounting Fees:				
Legal Fees		LS	$50,000	
Subtotal				$50,000
Construction Financing & Carrying Costs:				
Loan Fee		1.0%	$164,839	
Interest on Construction Loan			543,968	
Subtotal				$708,806
Permanant Financing Fees & Costs:				
Loan Fee		1.0%	$13,990	
Subtotal				$13,990
Total Soft Costs				$2,650,805
TOTAL DEVELOPMENT COSTS				$17,679,261
SOFT COSTS %				15.0%

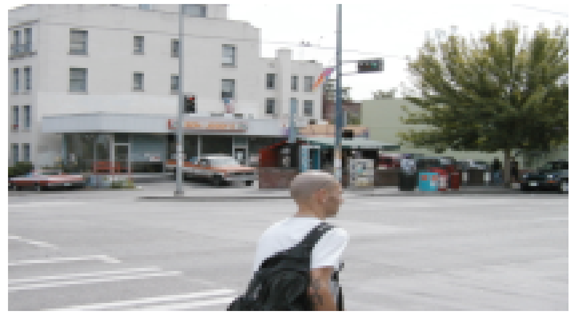
SOURCE: Gardner Johnson LLC

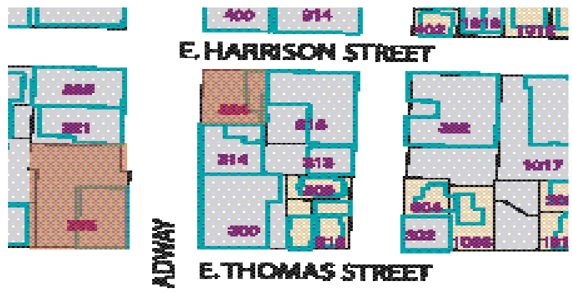
SITE ONE: Bank of America
CONSISTENT ZONING
TEN-YEAR CASH FLOW

		YEAR									
		Lease-up	*Stabilized*								
		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
Gross Scheduled Income/Residential		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Gross Scheduled Income/Office		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Gross Scheduled Income/Retail		156,672	161,372	166,213	171,200	176,336	181,626	187,075	192,687	198,467	204,421
Gross Scheduled Income/Parking		0	0	0	0	0	0	0	0	0	0
Miscellaneous Income		0	0	0	0	0	0	0	0	0	0
Vacancy & Collection Loss		(78,336)	(15,667)	(16,137)	(16,621)	(17,120)	(17,634)	(18,163)	(18,707)	(19,269)	(19,847)
EFFECTIVE GROSS INCOME		**$78,336**	**$145,705**	**$150,076**	**$154,578**	**$159,216**	**$163,992**	**$168,912**	**$173,979**	**$179,199**	**$184,575**
(-) Operating Expenses - Residential		0	0	0	0	0	0	0	0	0	0
(-) Operating Expenses - Commercial		(4,700)	(4,841)	(4,986)	(5,136)	(5,290)	(5,449)	(5,612)	(5,781)	(5,954)	(6,133)
NET OPERATING INCOME		**$73,636**	**$140,864**	**$145,090**	**$149,442**	**$153,926**	**$158,543**	**$163,300**	**$168,199**	**$173,245**	**$178,442**
(-) Annual Debt Service		0	(117,386)	(117,386)	(117,386)	(117,386)	(117,386)	(117,386)	(117,386)	(117,386)	(117,386)
CASH FLOW (PRE-TAX)		**$73,636**	**$23,477**	**$27,703**	**$32,056**	**$36,539**	**$41,157**	**$45,913**	**$50,812**	**$55,858**	**$61,056**
Total Developer Cash Flow		$73,636	$23,477	$27,703	$32,056	$36,539	$41,157	$45,913	$50,812	$55,858	$61,056
Return on Equity	$865,052	8.51%	2.71%	3.20%	3.71%	4.22%	4.76%	5.31%	5.87%	6.46%	7.06%
Present Value		$920,448	$1,760,797	$1,813,621	$1,868,030	$1,924,071	$1,981,793	$2,041,247	$2,102,484	$2,165,559	$2,230,526
Cap Rate	8.00%										
Primary Debt Coverage Ratio			1.20	1.24	1.27	1.31	1.35	1.39	1.43	1.48	1.52
Total Debt Coverage Ratio			1.20	1.24	1.27	1.31	1.35	1.39	1.43	1.48	1.52
Return on Investment (NOI/Cost)			0.8%	0.8%	0.8%	0.9%	0.9%	0.9%	1.0%	1.0%	1.0%

SOURCE: Gardner Johnson LLC

SITE TWO: Baskin & Robbins Site





Location:	Southeast cornter of Harrison and Broadway
Size/Square Feet:	5,822
Ownership:	Twiss, Russell T.
Current Improvements:	Storage/Staging
2003 Assessed Value:	
Land:	$523,900
Improvements:	$1,000
Total	$524,900
Assessed Value/SF:	$90.16
Entitlements:	
Zoning:	NC3-40
Summary:	The site of an old Baskin Robbins, there appears to be little value to this improvement, which sits off of Broadway with parking in front. An espresso stand is set up in the parking lot. A 42-unit rental apartment project is directly east of the site.

SOURCE: City of Seattle DCLU and Gardner Johnson LLC

SITE TWO: Baskin & Robbins

SPECULATIVE OFFICE OVER COMMERCIAL

SITE TWO: Baskin & Robbins
SPECULATIVE OFFICE OVER COMMERCIAL
SUMMARY INFORMATION

December 9, 2003

AREA SUMMARY:	
Parcel Size (SF)	5,822
Building Size (SF)	23,288
Efficiency Ratio (Residential)	85%
Saleable and Leasable Area (SF)	20,668
Units	0
Density (Units/Acre)	0.00

INCOME SUMMARY:	Total SF	Average Price/SF	Gross Sales Income
Condominiums	0	$0.00	$0
			Gross Income
Rental Apartments	0	$0.00	$0
Office Space	15,719	$16.00	$251,510
Retail	4,949	$20.00	$98,974
Parking	0	$0.00	$0
Vacancy/Collection			($26,286)
TOTAL	**20,668**	$15.69	**$324,198**

COST SUMMARY:	Per SF		Total
Acquisition Cost	$22.54		$524,900
Direct Construction Cost	$84.75		1,973,658
Other Construction	$0.00		0
Soft Costs	$38.00		884,897
TOTAL	$145.29		**$3,383,455**

EQUITY ASSUMPTIONS:		
Total Development Cost		**$3,383,455**
(-) Loan		(3,293,917)
(-) Applied Condomium Revenue		0
Net Equity Required	2.6%	**$89,538**

CONSTRUCTION LOAN ASSUMPTIONS:	
Construction Loan Amount	**$3,293,917**
Interest Rate	6.00%
Term (months)	18
Drawdown Factor	0.55
Construction Interest (Capitalized)	**$108,699**
Construction Loan Fee (%)	1.00%
Construction Loan Fee ($)	**$32,939**

PERMANENT FINANCING ASSUMPTIONS:	DCR	LTV
Interest Rate	7.50%	7.50%
Term (Years)	30	30
Debt-Coverage Ratio	**1.20**	
Loan-to-Value		**80%**
Stabilized NOI (Year 2)	$331,654	$331,654
CAP Rate		8.00%
Supportable Mortgage	**$3,293,917**	**$3,316,543**
Annual Debt Service	**$276,379**	**$278,277**

MEASURES OF RETURN:	
Indicated Value @ Stabilization	$4,145,679
Value/Cost	123%
Return on Investment (ROI)	9.8%
Return on Sales (ROS)	N/A
Internal Rate of Return	78.7%
Modified Internal Rate of Return @ 8% Reinventment	46.9%

ESTIMATION OF VIABILITY GAP	
Targeted Return on Sales	15.00%
Calculated ROS	N/A
Calculated Gap-Condos	$0
Targeted Return on Investment (ROI)	12.0%
Calculated ROI	9.8%
Calculated Gap-Income Components	$619,669
Overall Gap as % of Development Cost	18.3%

SOURCE: Gardner Johnson LLC

SITE TWO: Baskin & Robbins
SPECULATIVE OFFICE OVER COMMERCIAL
INCOME ASSUMPTIONS

FOR-SALE RESIDENTIAL PROGRAM						
	NO. OF UNITS	TOTAL SF	SALES PRICE/S.F.	PARKING SALES 1/	AVG PRICE/ UNIT	TOTAL INCOME
Floors 2-3	0	0	$300	$0	$0	$0
Floors 4-5	0	0	$325	$0	$0	$0
TOTAL	0	0	$0		$0	$0

RENTAL RESIDENTIAL PROGRAM						
	NO. OF UNITS	TOTAL SF	MONTH RENT/S.F.	AVERAGE RENT	MONTHLY INCOME	ANNUAL INCOME
Floors 2-3	0	0	$1.65	$0	$0	$0
Floors 4-5	0	0	$1.98	$0	$0	$0
TOTAL	0	0	$0.00		$0	$0

OFFICE						
	TOTAL SF	NET/ GROSS	LEASABLE SF		ANNUAL RENT/SF	ANNUAL INCOME
Floors 2-3	11,644	90%	10,480		$16.00	$167,674
Floors 4-5	5,822	90%	5,240		$16.00	$83,837
TOTAL	17,466		15,719		$16.00	$251,510

RETAIL						
	TOTAL SF	NET/ GROSS	LEASABLE SF		ANNUAL RENT/SF	ANNUAL INCOME
Retail-Ground Floor	5,822	85%	4,949		$20.00	$98,974
Retail-Second Floor	0	85%	0		$18.00	$0
TOTAL	5,822		4,949		$20.00	$98,974

PARKING						
	# OF SPACES	NET REVENUE	TOTAL SF		ANNUAL RENT/SF	ANNUAL INCOME
Condo Parking	0	$0	0		$0.00	$0
Income Parking	0	$0	0		$4.50	$0
TOTAL	0	$0	0		$0.00	$0

SOURCE: Gardner Johnson LLC

SITE TWO: Baskin & Robbins
SPECULATIVE OFFICE OVER COMMERCIAL
DEVELOPMENT COST ESTIMATE

	Area/ Basis	Unit	Cost	Total Cost
Acquisition Cost:				$524,900
Construction Costs:				
Seismic Upgrades			$0	
Residential Construction Costs	0	$ 78.00	$0	
Office Construction Costs	17,466	$ 78.00	$1,362,348	
Commercial Construction Costs (Ground Floor)	5,822	$ 100.00	582,200	
Parking Construction Costs	0	$ 70.00	0	
Contingency/General Conditions		5.0%	29,110	
TOTAL				$1,973,658
Pre-Development Consultants:				
Architecture/Engineering Studies		LS	$0	
Project Management		LS	100,000	
Market Study/Appraisal		LS	10,000	
Geotechnical Report		LS	5,000	
Environmental Studies		LS	3,000	
Traffic Study		LS	6,000	
Other		LS	5,000	
Subtotal				$129,000
Architecture & Engineering Fees:				
Architecture/Engineering/Interior Design		7.0%	$138,156	
Civil Engineering		LS	0	
Landscape Design		LS	5,000	
Geotechnical Inspections		LS	5,000	
Other Consultants		LS	5,000	
Construction Testing & Inspection		LS	5,000	
Consultant Reimbursables		LS	15,000	
Subtotal				$173,156
Development Fees & Administration:				
Developer Fee		5.0%	$98,683	
Construction Administration		LS	195,000	
Builder's Risk Insurance		LS	6,000	
Miscellaneous Costs		LS	5,000	
Soft Cost Contingency		LS	20,000	
Subtotal				$324,683
Building Permit Fee and System Charges:				
City Permit/Fee Allowance		LS	$33,481	
Subtotal				$33,481
Legal & Accounting Fees:				
Legal Fees		LS	$50,000	
Subtotal				$50,000
Construction Financing & Carrying Costs:				
Loan Fee		1.0%	$32,939	
Interest on Construction Loan			108,699	
Subtotal				$141,638
Permanant Financing Fees & Costs:				
Loan Fee		1.0%	$32,939	
Subtotal				$32,939
Total Soft Costs				$884,897
TOTAL DEVELOPMENT COSTS				$3,383,455
SOFT COSTS %				26.2%

SOURCE: Gardner Johnson LLC

SITE TWO: Baskin & Robbins

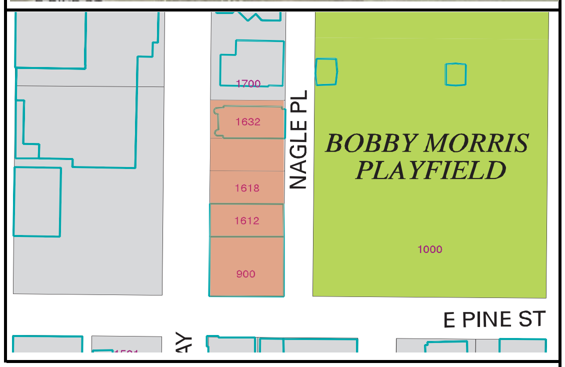
SPECULATIVE OFFICE OVER COMMERCIAL

TEN-YEAR CASH FLOW

		Lease-up	*Stabilized*			YEAR					
		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
Gross Scheduled Income/Residential		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Gross Scheduled Income/Office		$251,510	$259,056	$266,827	$274,832	$283,077	$291,569	$300,317	$309,326	$318,606	$328,164
Gross Scheduled Income/Retail		98,974	101,943	105,002	108,152	111,396	114,738	118,180	121,726	125,377	129,139
Gross Scheduled Income/Parking		0	0	0	0	0	0	0	0	0	0
Miscellaneous Income		0	0	0	0	0	0	0	0	0	0
Vacancy & Collection Loss		(175,242)	(26,286)	(27,075)	(27,887)	(28,724)	(29,585)	(30,473)	(31,387)	(32,329)	(33,299)
EFFECTIVE GROSS INCOME		**$175,242**	**$334,713**	**$344,754**	**$355,097**	**$365,749**	**$376,722**	**$388,024**	**$399,664**	**$411,654**	**$424,004**
(-) Operating Expenses - Residential		0	0	0	0	0	0	0	0	0	0
(-) Operating Expenses - Commercial		(2,969)	(3,058)	(3,150)	(3,245)	(3,342)	(3,442)	(3,545)	(3,652)	(3,761)	(3,874)
NET OPERATING INCOME		**$172,273**	**$331,654**	**$341,604**	**$351,852**	**$362,408**	**$373,280**	**$384,478**	**$396,013**	**$407,893**	**$420,130**
(-) Annual Debt Service		0	(276,379)	(276,379)	(276,379)	(276,379)	(276,379)	(276,379)	(276,379)	(276,379)	(276,379)
CASH FLOW (PRE-TAX)		**$172,273**	**$55,276**	**$65,225**	**$75,473**	**$86,029**	**$96,901**	**$108,100**	**$119,634**	**$131,514**	**$143,751**
Total Developer Cash Flow		$92,852	$34,353	$39,328	$44,452	$49,730	$55,166	$60,765	$66,532	$72,473	$78,591
Return on Equity	$89,538	103.70%	38.37%	43.92%	49.65%	55.54%	61.61%	67.87%	74.31%	80.94%	87.77%
Present Value		$2,153,412	$4,145,679	$4,270,049	$4,398,151	$4,530,095	$4,665,998	$4,805,978	$4,950,157	$5,098,662	$5,251,622
Cap Rate	8.00%										
Primary Debt Coverage Ratio			1.20	1.24	1.27	1.31	1.35	1.39	1.43	1.48	1.52
Total Debt Coverage Ratio			1.20	1.24	1.27	1.31	1.35	1.39	1.43	1.48	1.52
Return on Investment (NOI/Cost)			9.8%	10.1%	10.4%	10.7%	11.0%	11.4%	11.7%	12.1%	12.4%

SOURCE: Gardner Johnson LLC

SITE THREE: Malone Site



Location:	Between Broadway and Nagle Place, South of Howell
Size/Square Feet:	46,080
Ownership:	Mike Malone First Christian Church
Current Improvements:	Church, parking, retail stores
2003 Assessed Value:	
Land:	$4,175,000
Improvements:	$1,382,600
Total	$5,557,600
Assessed Value/SF:	$120.61
Entitlements:	
Zoning:	NC3-40
Summary:	This site is located in the southern portion of the district proximate to the Community College. The site may prove to be strong from a residential perspective, with views over the park to the east. Security will be a key design issue.

Parcel	SF	Value	Value/SF
1632 Broadway	8,960	$1,302,900	$145.41
No Address/Mike Malone	7,680	$691,200	$90.00
1618 Broadway	7,680	$692,200	$90.13
1612 Broadway	7,680	$692,200	$90.13
900 E Pine	14,080	$2,179,100	$154.77

SOURCE: City of Seattle DCLU and Gardner Johnson LLC

SITE THREE: First Christian Church/Malone Site

OPTION A

RENTAL APARTMENTS OVER COMMERCIAL

SITE THREE: First Christian Church/Malone Site
RENTAL APARTMENTS OVER COMMERCIAL
SUMMARY INFORMATION

December 9, 2003

AREA SUMMARY:	
Parcel Size (SF)	46,080
Building Size (SF)	180,562
Efficiency Ratio (Residential)	85%
Saleable and Leasable Area (SF)	162,245
Units	111
Density (Units/Acre)	104.93

INCOME SUMMARY:	Total SF	Average Price/SF	Gross Sales Income
Condominiums	0	$0.00	$0
			Gross Income
Rental Apartments	94,003	$21.12	$1,985,348
Office Space	0	$0.00	$0
Retail	9,792	$20.00	$195,840
Parking	58,450	$4.50	$263,025
Vacancy/Collection			($183,316)
TOTAL	162,245	$13.94	**$2,260,897**

COST SUMMARY:	Per SF		Total
Acquisition Cost	$30.78		$5,557,600
Direct Construction Cost	$80.42		14,521,658
Other Construction	$0.00		0
Soft Costs	$17.37		3,136,895
TOTAL	$128.58		**$23,216,152**

EQUITY ASSUMPTIONS:		
Total Development Cost		**$23,216,152**
(-) Loan		(16,014,535)
(-) Applied Condomium Revenue		0
Net Equity Required	31.0%	**$7,201,617**

CONSTRUCTION LOAN ASSUMPTIONS:	
Construction Loan Amount	**$16,014,535**
Interest Rate	6.00%
Term (months)	18
Drawdown Factor	0.55
Construction Interest (Capitalized)	**$528,480**
Construction Loan Fee (%)	1.00%
Construction Loan Fee ($)	**$160,145**

PERMANENT FINANCING ASSUMPTIONS:	DCR	LTV
Interest Rate	7.50%	7.50%
Term (Years)	30	30
Debt-Coverage Ratio	**1.20**	
Loan-to-Value		**80%**
Stabilized NOI (Year 2)	$1,612,454	$1,612,454
CAP Rate		8.00%
Supportable Mortgage	**$16,014,535**	**$16,124,538**
Annual Debt Service	**$1,343,711**	**$1,352,941**

MEASURES OF RETURN:	
Indicated Value @ Stabilization	$20,155,672
Value/Cost	87%
Return on Investment (ROI)	6.9%
Return on Sales (ROS)	N/A
Internal Rate of Return	15.9%
Modified Internal Rate of Return @ 8% Reinventment	14.8%

ESTIMATION OF VIABILITY GAP	
Targeted Return on Sales	15.00%
Calculated ROS	N/A
Calculated Gap-Condos	$0
Targeted Return on Investment (ROI)	12.0%
Calculated ROI	6.9%
Calculated Gap-Income Components	$9,779,038
Overall Gap as % of Development Cost	42.1%

SOURCE: Gardner Johnson LLC

SITE THREE: First Christian Church/Malone Site
RENTAL APARTMENTS OVER COMMERCIAL
INCOME ASSUMPTIONS

FOR-SALE RESIDENTIAL PROGRAM

	NO. OF UNITS	TOTAL SF	SALES PRICE/S.F.	PARKING SALES 1/	AVG PRICE/ UNIT	TOTAL INCOME
Floors 2-3	0	0	$300	$0	$0	$0
Floors 4-5	0	0	$325	$0	$0	$0
TOTAL	0	0	$0		$0	$0

RENTAL RESIDENTIAL PROGRAM

	NO. OF UNITS	TOTAL SF	MONTH RENT/S.F.	AVERAGE RENT	MONTHLY INCOME	ANNUAL INCOME
Floors 2-3	74	62,669	$1.65	$1,397	$103,404	$1,240,842
Floors 4-5	37	31,334	$1.98	$1,677	$62,042	$744,505
TOTAL	111	94,003	$1.76		$1,491	$1,985,348

OFFICE

	TOTAL SF	NET/ GROSS	LEASABLE SF		ANNUAL RENT/SF	ANNUAL INCOME
Floors 2-3	0	95%	0		$17.00	$0
Floors 4-5	0	85%	0		$17.00	$0
TOTAL	0		0		$0.00	$0

RETAIL

	TOTAL SF	NET/ GROSS	LEASABLE SF		ANNUAL RENT/SF	ANNUAL INCOME
Retail-Ground Floor	11,520	85%	9,792		$20.00	$195,840
Retail-Second Floor	0	85%	0		$18.00	$0
TOTAL	**11,520**		**9,792**		**$20.00**	**$195,840**

PARKING

	# OF SPACES		TOTAL SF		ANNUAL RENT/SF	ANNUAL INCOME
Condo Parking	0		0		$0.00	$0
Income Parking	167		58,450		$4.50	$263,025
TOTAL	167		**58,450**		**$4.50**	**$263,025**

SOURCE: Gardner Johnson LLC

SITE THREE: First Christian Church/Malone Site
RENTAL APARTMENTS OVER COMMERCIAL
DEVELOPMENT COST ESTIMATE

	Area/ Basis	Unit	Cost	Total Cost
Acquisition Cost:				$5,557,600
Construction Costs:				
Seismic Upgrades			$0	
Residential Construction Costs	110,592	$75.00	$8,294,400	
Office Construction Costs	0	$100.00	$0	
Commercial Construction Costs (Ground Floor)	11,520	$100.00	1,152,000	
Parking Construction Costs	58,450	$75.00	4,383,750	
Contingency/General Conditions		5.0%	691,508	
TOTAL				$14,521,658
Pre-Development Consultants:				
Architecture/Engineering Studies		LS	$0	
Project Management		LS	100,000	
Market Study/Appraisal		LS	10,000	
Geotechnical Report		LS	5,000	
Environmental Studies		LS	3,000	
Traffic Study		LS	6,000	
Other		LS	5,000	
Subtotal				$129,000
Architecture & Engineering Fees:				
Architecture/Engineering/Interior Design		7.0%	$1,016,516	
Civil Engineering		LS	0	
Landscape Design		LS	5,000	
Geotechnical Inspections		LS	5,000	
Other Consultants		LS	5,000	
Construction Testing & Inspection		LS	5,000	
Consultant Reimbursables		LS	15,000	
Subtotal				$1,051,516
Development Fees & Administration:				
Developer Fee		5.0%	$726,083	
Construction Administration		LS	195,000	
Builder's Risk Insurance		LS	6,000	
Miscellaneous Costs		LS	5,000	
Soft Cost Contingency		LS	20,000	
Subtotal				$952,083
Building Permit Fee and System Charges:				
City Permit/Fee Allowance		LS	$105,526	
Subtotal				$105,526
Legal & Accounting Fees:				
Legal Fees		LS	$50,000	
Subtotal				$50,000
Construction Financing & Carrying Costs:				
Loan Fee		1.0%	$160,145	
Interest on Construction Loan			528,480	
Subtotal				$688,625
Permanant Financing Fees & Costs:				
Loan Fee		1.0%	$160,145	
Subtotal				$160,145
Total Soft Costs				$3,136,895
TOTAL DEVELOPMENT COSTS				$23,216,152
SOFT COSTS %				13.5%

SOURCE: Gardner Johnson LLC

SITE THREE: First Christian Church/Malone Site
RENTAL APARTMENTS OVER COMMERCIAL
TEN-YEAR CASH FLOW

		Lease-up	*Stabilized*				YEAR				
		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
Gross Scheduled Income/Residential		$1,985,348	$2,044,908	$2,106,255	$2,169,443	$2,234,526	$2,301,562	$2,370,609	$2,441,727	$2,514,979	$2,590,428
Gross Scheduled Income/Office		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Gross Scheduled Income/Retail		195,840	201,715	207,767	214,000	220,420	227,032	233,843	240,858	248,084	255,527
Gross Scheduled Income/Parking		263,025	270,916	279,043	287,415	296,037	304,918	314,066	323,488	333,192	343,188
Miscellaneous Income		0	0	0	0	0	0	0	0	0	0
Vacancy & Collection Loss		(1,222,106)	(183,316)	(188,815)	(194,480)	(200,314)	(206,324)	(212,513)	(218,889)	(225,455)	(232,219)
EFFECTIVE GROSS INCOME		**$1,222,106**	**$2,334,223**	**$2,404,250**	**$2,476,377**	**$2,550,669**	**$2,627,189**	**$2,706,004**	**$2,787,184**	**$2,870,800**	**$2,956,924**
(-) Operating Expenses - Residential		(694,872)	(715,718)	(737,189)	(759,305)	(782,084)	(805,547)	(829,713)	(854,604)	(880,243)	(906,650)
(-) Operating Expenses - Commercial		(5,875)	(6,051)	(6,233)	(6,420)	(6,613)	(6,811)	(7,015)	(7,226)	(7,443)	(7,666)
NET OPERATING INCOME		**$521,359**	**$1,612,454**	**$1,660,827**	**$1,710,652**	**$1,761,972**	**$1,814,831**	**$1,869,276**	**$1,925,354**	**$1,983,115**	**$2,042,608**
(-) Annual Debt Service		0	(1,343,711)	(1,343,711)	(1,343,711)	(1,343,711)	(1,343,711)	(1,343,711)	(1,343,711)	(1,343,711)	(1,343,711)
CASH FLOW (PRE-TAX)		**$521,359**	**$268,742**	**$317,116**	**$366,941**	**$418,260**	**$471,119**	**$525,564**	**$581,643**	**$639,403**	**$698,897**
Total Developer Cash Flow		$521,359	$268,742	$317,116	$366,941	$418,260	$471,119	$525,564	$581,643	$639,403	$698,897
Return on Equity	$7,201,617	7.24%	3.73%	4.40%	5.10%	5.81%	6.54%	7.30%	8.08%	8.88%	9.70%
Present Value		$6,516,993	$20,155,672	$20,760,342	$21,383,152	$22,024,647	$22,685,386	$23,365,948	$24,066,926	$24,788,934	$25,532,602
Cap Rate	8.00%										
Primary Debt Coverage Ratio			1.20	1.24	1.27	1.31	1.35	1.39	1.43	1.48	1.52
Total Debt Coverage Ratio			1.20	1.24	1.27	1.31	1.35	1.39	1.43	1.48	1.52
Return on Investment (NOI/Cost)			6.9%	7.2%	7.4%	7.6%	7.8%	8.1%	8.3%	8.5%	8.8%

SOURCE: Gardner Johnson LLC

SITE THREE: First Christian Church/Malone Site

OPTION B
CONDOMINIUMS OVER COMMERCIAL

SITE THREE: First Christian Church/Malone Site
CONDOMINIUMS OVER COMMERCIAL
SUMMARY INFORMATION

December 9, 2003

AREA SUMMARY:	
Parcel Size (SF)	46,080
Building Size (SF)	180,562
Efficiency Ratio (Residential)	85%
Saleable and Leasable Area (SF)	162,245
Units	111
Density (Units/Acre)	104.93

CONSTRUCTION LOAN ASSUMPTIONS:	
Construction Loan Amount	**$25,256,853**
Interest Rate	6.00%
Term (months)	18
Drawdown Factor	0.55
Construction Interest (Capitalized)	**$833,476**
Construction Loan Fee (%)	1.00%
Construction Loan Fee ($)	**$252,569**

INCOME SUMMARY:	Total SF	Average Price/SF	Gross Sales Income
Condominiums	94,003	$332.75	$31,279,256
			Gross Income
Rental Apartments	0	$0.00	$0
Office Space	0	$0.00	$0
Retail	9,792	$20.00	$195,840
Parking	58,450	$0.00	$0
Vacancy/Collection			($14,688)
TOTAL	**68,242**	$2.65	**$181,152**

PERMANENT FINANCING ASSUMPTIONS:	DCR	LTV
Interest Rate	7.50%	7.50%
Term (Years)	30	30
Debt-Coverage Ratio	**1.20**	
Loan-to-Value		**80%**
Stabilized NOI (Year 2)	$180,976	$180,976
CAP Rate		8.00%
Supportable Mortgage	**$1,797,411**	**$1,809,757**
Annual Debt Service	**$150,813**	**$151,849**

COST SUMMARY:	Per SF		Total
Acquisition Cost	$30.78		$5,557,600
Direct Construction Cost	$102.93		18,585,914
Other Construction	$0.00		0
Soft Costs	$21.82		3,940,090
TOTAL	$155.53		**$28,083,603**

MEASURES OF RETURN:	
Indicated Value @ Stabilization	$2,262,197
Value/Cost	113%
Return on Investment (ROI)	5.9%
Return on Sales (ROS)	17.6%
Internal Rate of Return	10.6%
Modified Internal Rate of Return @ 8% Reinventment	10.2%

EQUITY ASSUMPTIONS:		
Total Development Cost		**$28,083,603**
(-) Loan		(1,797,411)
(-) Applied Condomium Revenue		(25,005,599)
Net Equity Required	4.6%	**$1,280,593**

ESTIMATION OF VIABILITY GAP	
Targeted Return on Sales	15.00%
Calculated ROS	17.58%
Calculated Gap-Condos	($646,062)
Targeted Return on Investment (ROI)	12.0%
Calculated ROI	5.9%
Calculated Gap-Income Components	$1,569,873
Overall Gap as % of Development Cost	3.3%

SOURCE: Gardner Johnson LLC

SITE THREE: First Christian Church/Malone Site

CONDOMINIUMS OVER COMMERCIAL
INCOME ASSUMPTIONS

FOR-SALE RESIDENTIAL PROGRAM						
	NO. OF UNITS	TOTAL SF	SALES PRICE/S.F.	PARKING SALES 1/	AVG PRICE/ UNIT	TOTAL INCOME
Floors 2-3	74	62,669	$280	$37,613	$274,738	$20,330,597
Floors 4-5	37	31,334	$305	$37,613	$295,910	$10,948,659
TOTAL	111	94,003	$288		$244,182	$31,279,256
RENTAL RESIDENTIAL PROGRAM						
	NO. OF UNITS	TOTAL SF	MONTH RENT/S.F.	AVERAGE RENT	MONTHLY INCOME	ANNUAL INCOME
Floors 2-3	0	0	$1.65	$0	$0	$0
Floors 4-5	0	0	$1.98	$0	$0	$0
TOTAL	0	0	$0.00		$0	$0
OFFICE						
	TOTAL SF	NET/ GROSS	LEASABLE SF		ANNUAL RENT/SF	ANNUAL INCOME
Floors 2-3	0	95%	0		$17.00	$0
Floors 4-5	0	85%	0		$17.00	$0
TOTAL	0		0		$0.00	$0
RETAIL						
	TOTAL SF	NET/ GROSS	LEASABLE SF		ANNUAL RENT/SF	ANNUAL INCOME
Retail-Ground Floor	11,520	85%	9,792		$20.00	$195,840
Retail-Second Floor	0	85%	0		$18.00	$0
TOTAL	**11,520**		**9,792**		**$20.00**	**$195,840**
PARKING						
	# OF SPACES		TOTAL SF		ANNUAL RENT/SF	ANNUAL INCOME
Condo Parking	167		58,450		$0.00	$0
Income Parking	0		0		$4.50	$0
TOTAL	167		**58,450**		**$0.00**	**$0**

SOURCE: Gardner Johnson LLC

SITE THREE: First Christian Church/Malone Site
CONDOMINIUMS OVER COMMERCIAL
DEVELOPMENT COST ESTIMATE

	Area/ Basis	Unit	Cost	Total Cost
Acquisition Cost:				$5,557,600
Construction Costs:				
Seismic Upgrades			$0	
Residential Construction Costs	110,592	$ 110.00	$12,165,120	
Office Construction Costs	0	$ 100.00	$0	
Commercial Construction Costs (Ground Floor)	11,520	$ 100.00	1,152,000	
Parking Construction Costs	58,450	$ 75.00	4,383,750	
Contingency/General Conditions		5.0%	885,044	
TOTAL				$18,585,914
Pre-Development Consultants:				
Architecture/Engineering Studies		LS	$0	
Project Management		LS	100,000	
Market Study/Appraisal		LS	10,000	
Geotechnical Report		LS	5,000	
Environmental Studies		LS	3,000	
Traffic Study		LS	6,000	
Other		LS	5,000	
Subtotal				$129,000
Architecture & Engineering Fees:				
Architecture/Engineering/Interior Design		7.0%	$1,301,014	
Civil Engineering		LS	0	
Landscape Design		LS	5,000	
Geotechnical Inspections		LS	5,000	
Other Consultants		LS	5,000	
Construction Testing & Inspection		LS	5,000	
Consultant Reimbursables		LS	15,000	
Subtotal				$1,336,014
Development Fees & Administration:				
Developer Fee		5.0%	$929,296	
Construction Administration		LS	195,000	
Builder's Risk Insurance		LS	6,000	
Miscellaneous Costs		LS	5,000	
Soft Cost Contingency		LS	20,000	
Subtotal				$1,155,296
Building Permit Fee and System Charges:				
City Permit/Fee Allowance		LS	$165,762	
Subtotal				$165,762
Legal & Accounting Fees:				
Legal Fees		LS	$50,000	
Subtotal				$50,000
Construction Financing & Carrying Costs:				
Loan Fee		1.0%	$252,569	
Interest on Construction Loan			833,476	
Subtotal				$1,086,045
Permanant Financing Fees & Costs:				
Loan Fee		1.0%	$17,974	
Subtotal				$17,974
Total Soft Costs				$3,940,090
TOTAL DEVELOPMENT COSTS				$28,083,603
SOFT COSTS %				14.0%

SOURCE: Gardner Johnson LLC

SITE THREE: First Christian Church/Malone Site
CONDOMINIUMS OVER COMMERCIAL
TEN-YEAR CASH FLOW

		Lease-up	*Stabilized*	YEAR							
		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
Gross Scheduled Income/Residential		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Gross Scheduled Income/Office		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Gross Scheduled Income/Retail		195,840	201,715	207,767	214,000	220,420	227,032	233,843	240,858	248,084	255,527
Gross Scheduled Income/Parking		0	0	0	0	0	0	0	0	0	0
Miscellaneous Income		0	0	0	0	0	0	0	0	0	0
Vacancy & Collection Loss		(97,920)	(14,688)	(15,129)	(15,582)	(16,050)	(16,531)	(17,027)	(17,538)	(18,064)	(18,606)
EFFECTIVE GROSS INCOME		**$97,920**	**$187,027**	**$192,638**	**$198,417**	**$204,370**	**$210,501**	**$216,816**	**$223,320**	**$230,020**	**$236,920**
(-) Operating Expenses - Residential		0	0	0	0	0	0	0	0	0	0
(-) Operating Expenses - Commercial		(5,875)	(6,051)	(6,233)	(6,420)	(6,613)	(6,811)	(7,015)	(7,226)	(7,443)	(7,666)
NET OPERATING INCOME		**$92,045**	**$180,976**	**$186,405**	**$191,997**	**$197,757**	**$203,690**	**$209,800**	**$216,095**	**$222,577**	**$229,255**
(-) Annual Debt Service		0	(150,813)	(150,813)	(150,813)	(150,813)	(150,813)	(150,813)	(150,813)	(150,813)	(150,813)
CASH FLOW (PRE-TAX)		**$92,045**	**$30,163**	**$35,592**	**$41,184**	**$46,944**	**$52,877**	**$58,987**	**$65,281**	**$71,764**	**$78,442**
Total Developer Cash Flow		$92,045	$30,163	$35,592	$41,184	$46,944	$52,877	$58,987	$65,281	$71,764	$78,442
Return on Equity	$1,280,593	7.19%	2.36%	2.78%	3.22%	3.67%	4.13%	4.61%	5.10%	5.60%	6.13%
Present Value		$1,150,560	$2,262,197	$2,330,063	$2,399,965	$2,471,964	$2,546,122	$2,622,506	$2,701,181	$2,782,217	$2,865,683
Cap Rate	8.00%										
Primary Debt Coverage Ratio			1.20	1.24	1.27	1.31	1.35	1.39	1.43	1.48	1.52
Total Debt Coverage Ratio			1.20	1.24	1.27	1.31	1.35	1.39	1.43	1.48	1.52
Return on Investment (NOI/Cost)			0.6%	0.7%	0.7%	0.7%	0.7%	0.7%	0.8%	0.8%	0.8%

SOURCE: Gardner Johnson LLC

SITE THREE: First Christian Church/Malone Site

OPTION B @ 65'

CONDOMINIUMS OVER COMMERCIAL

SITE THREE: First Christian Church/Malone Site
CONDOMINIUMS OVER COMMERCIAL
SUMMARY INFORMATION

December 9, 2003

AREA SUMMARY:	
Parcel Size (SF)	46,080
Building Size (SF)	217,426
Efficiency Ratio (Residential)	85%
Saleable and Leasable Area (SF)	193,580
Units	148
Density (Units/Acre)	139.91

INCOME SUMMARY:	Total SF	Average Price/SF	Gross Sales Income
Condominiums	125,338	$325.81	$40,836,248
			Gross Income
Rental Apartments	0	$0.00	$0
Office Space	0	$0.00	$0
Retail	9,792	$20.00	$195,840
Parking	58,450	$0.00	$0
Vacancy/Collection			($14,688)
TOTAL	**68,242**	$2.65	**$181,152**

COST SUMMARY:	Per SF		Total
Acquisition Cost	$25.56		$5,557,600
Direct Construction Cost	$105.06		22,843,706
Other Construction	$0.00		0
Soft Costs	$22.09		4,802,244
TOTAL	$152.71		**$33,203,550**

EQUITY ASSUMPTIONS:		
Total Development Cost		**$33,203,550**
(-) Loan		(1,797,411)
(-) Applied Condomium Revenue		(29,947,985)
Net Equity Required	4.4%	**$1,458,154**

CONSTRUCTION LOAN ASSUMPTIONS:	
Construction Loan Amount	**$32,424,597**
Interest Rate	6.00%
Term (months)	18
Drawdown Factor	0.55
Construction Interest (Capitalized)	**$1,070,012**
Construction Loan Fee (%)	1.00%
Construction Loan Fee ($)	**$324,246**

PERMANENT FINANCING ASSUMPTIONS:	DCR	LTV
Interest Rate	7.50%	7.50%
Term (Years)	30	30
Debt-Coverage Ratio	**1.20**	
Loan-to-Value		**80%**
Stabilized NOI (Year 2)	$180,976	$180,976
CAP Rate		8.00%
Supportable Mortgage	**$1,797,411**	**$1,809,757**
Annual Debt Service	**$150,813**	**$151,849**

MEASURES OF RETURN:	
Indicated Value @ Stabilization	$2,262,197
Value/Cost	122%
Return on Investment (ROI)	5.6%
Return on Sales (ROS)	28.2%
Internal Rate of Return	9.1%
Modified Internal Rate of Return @ 8% Reinventment	9.0%

ESTIMATION OF VIABILITY GAP	
Targeted Return on Sales	15.00%
Calculated ROS	28.18%
Calculated Gap-Condos	($3,945,890)
Targeted Return on Investment (ROI)	12.0%
Calculated ROI	5.6%
Calculated Gap-Income Components	$1,747,434
Overall Gap as % of Development Cost	-6.6%

SOURCE: Gardner Johnson LLC

SITE THREE: First Christian Church/Malone Site

CONDOMINIUMS OVER COMMERCIAL
INCOME ASSUMPTIONS

FOR-SALE RESIDENTIAL PROGRAM						
	NO. OF UNITS	TOTAL SF	SALES PRICE/S.F.	PARKING SALES 1/	AVG PRICE/ UNIT	TOTAL INCOME
Floors 2-3	74	62,669	$280	$28,209	$265,335	$19,634,764
Floors 4-5	74	62,669	$305	$28,209	$286,507	$21,201,484
TOTAL	148	125,338	$293		$247,711	$40,836,248
RENTAL RESIDENTIAL PROGRAM						
	NO. OF UNITS	TOTAL SF	MONTH RENT/S.F.	AVERAGE RENT	MONTHLY INCOME	ANNUAL INCOME
Floors 2-3	0	0	$1.65	$0	$0	$0
Floors 4-5	0	0	$1.98	$0	$0	$0
TOTAL	0	0	$0.00		$0	$0
OFFICE						
	TOTAL SF	NET/ GROSS	LEASABLE SF		ANNUAL RENT/SF	ANNUAL INCOME
Floors 2-3	0	95%	0		$17.00	$0
Floors 4-5	0	85%	0		$17.00	$0
TOTAL	0		0		$0.00	$0
RETAIL						
	TOTAL SF	NET/ GROSS	LEASABLE SF		ANNUAL RENT/SF	ANNUAL INCOME
Retail-Ground Floor	11,520	85%	9,792		$20.00	$195,840
Retail-Second Floor	0	85%	0		$18.00	$0
TOTAL	11,520		9,792		$20.00	$195,840
PARKING						
	# OF SPACES		TOTAL SF		ANNUAL RENT/SF	ANNUAL INCOME
Condo Parking	167		58,450		$0.00	$0
Income Parking	0		0		$4.50	$0
TOTAL	167		58,450		$0.00	$0

SOURCE: Gardner Johnson LLC

SITE THREE: First Christian Church/Malone Site
CONDOMINIUMS OVER COMMERCIAL
DEVELOPMENT COST ESTIMATE

	Area/ Basis	Unit	Cost	Total Cost
Acquisition Cost:				$5,557,600
Construction Costs:				
Seismic Upgrades			$0	
Residential Construction Costs	147,456	$ 110.00	$16,220,160	
Office Construction Costs	0	$ 100.00	$0	
Commercial Construction Costs (Ground Floor)	11,520	$ 100.00	1,152,000	
Parking Construction Costs	58,450	$ 75.00	4,383,750	
Contingency/General Conditions		5.0%	1,087,796	
TOTAL				$22,843,706
Pre-Development Consultants:				
Architecture/Engineering Studies		LS	$0	
Project Management		LS	100,000	
Market Study/Appraisal		LS	10,000	
Geotechnical Report		LS	5,000	
Environmental Studies		LS	3,000	
Traffic Study		LS	6,000	
Other		LS	5,000	
Subtotal				$129,000
Architecture & Engineering Fees:				
Architecture/Engineering/Interior Design		7.0%	$1,599,059	
Civil Engineering		LS	0	
Landscape Design		LS	5,000	
Geotechnical Inspections		LS	5,000	
Other Consultants		LS	5,000	
Construction Testing & Inspection		LS	5,000	
Consultant Reimbursables		LS	15,000	
Subtotal				$1,634,059
Development Fees & Administration:				
Developer Fee		5.0%	$1,142,185	
Construction Administration		LS	195,000	
Builder's Risk Insurance		LS	6,000	
Miscellaneous Costs		LS	5,000	
Soft Cost Contingency		LS	20,000	
Subtotal				$1,368,185
Building Permit Fee and System Charges:				
City Permit/Fee Allowance		LS	$208,768	
Subtotal				$208,768
Legal & Accounting Fees:				
Legal Fees		LS	$50,000	
Subtotal				$50,000
Construction Financing & Carrying Costs:				
Loan Fee		1.0%	$324,246	
Interest on Construction Loan			1,070,012	
Subtotal				$1,394,258
Permanant Financing Fees & Costs:				
Loan Fee		1.0%	$17,974	
Subtotal				$17,974
Total Soft Costs				$4,802,244
TOTAL DEVELOPMENT COSTS				$33,203,550
SOFT COSTS %				14.5%

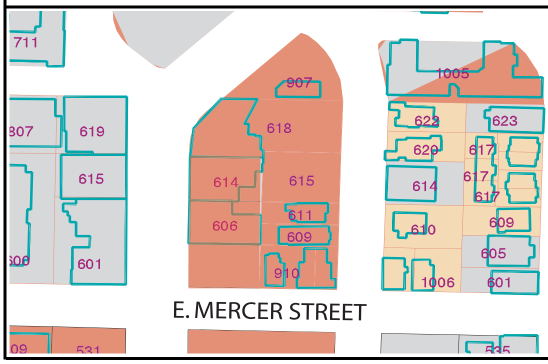
SOURCE: Gardner Johnson LLC

SITE THREE: First Christian Church/Malone Site
CONDOMINIUMS OVER COMMERCIAL
TEN-YEAR CASH FLOW

		Lease-up	*Stabilized*	YEAR							
		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
Gross Scheduled Income/Residential		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Gross Scheduled Income/Office		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Gross Scheduled Income/Retail		195,840	201,715	207,767	214,000	220,420	227,032	233,843	240,858	248,084	255,527
Gross Scheduled Income/Parking		0	0	0	0	0	0	0	0	0	0
Miscellaneous Income		0	0	0	0	0	0	0	0	0	0
Vacancy & Collection Loss		(97,920)	(14,688)	(15,129)	(15,582)	(16,050)	(16,531)	(17,027)	(17,538)	(18,064)	(18,606)
EFFECTIVE GROSS INCOME		**$97,920**	**$187,027**	**$192,638**	**$198,417**	**$204,370**	**$210,501**	**$216,816**	**$223,320**	**$230,020**	**$236,920**
(-) Operating Expenses - Residential		0	0	0	0	0	0	0	0	0	0
(-) Operating Expenses - Commercial		(5,875)	(6,051)	(6,233)	(6,420)	(6,613)	(6,811)	(7,015)	(7,226)	(7,443)	(7,666)
NET OPERATING INCOME		**$92,045**	**$180,976**	**$186,405**	**$191,997**	**$197,757**	**$203,690**	**$209,800**	**$216,095**	**$222,577**	**$229,255**
(-) Annual Debt Service		0	(150,813)	(150,813)	(150,813)	(150,813)	(150,813)	(150,813)	(150,813)	(150,813)	(150,813)
CASH FLOW (PRE-TAX)		**$92,045**	**$30,163**	**$35,592**	**$41,184**	**$46,944**	**$52,877**	**$58,987**	**$65,281**	**$71,764**	**$78,442**
Total Developer Cash Flow		$92,045	$30,163	$35,592	$41,184	$46,944	$52,877	$58,987	$65,281	$71,764	$78,442
Return on Equity	$1,458,154	6.31%	2.07%	2.44%	2.82%	3.22%	3.63%	4.05%	4.48%	4.92%	5.38%
Present Value		$1,150,560	$2,262,197	$2,330,063	$2,399,965	$2,471,964	$2,546,122	$2,622,506	$2,701,181	$2,782,217	$2,865,683
Cap Rate	8.00%										
Primary Debt Coverage Ratio			1.20	1.24	1.27	1.31	1.35	1.39	1.43	1.48	1.52
Total Debt Coverage Ratio			1.20	1.24	1.27	1.31	1.35	1.39	1.43	1.48	1.52
Return on Investment (NOI/Cost)			0.5%	0.6%	0.6%	0.6%	0.6%	0.6%	0.7%	0.7%	0.7%

SOURCE: Gardner Johnson LLC

SITE FOUR: Diamond Parking



Location: Northeast corner of Mercer and Broadway

Size/Square Feet: 57,987

Ownership: Diamond Parking Inc.
Fortuna Sequitur
R&M Jones Family

Current Improvements: Surface parking lot
Restaurants

2003 Assessed Value:

Land:	$5,386,200
Improvements:	$1,300,500
Total	$6,686,700
Assessed Value/SF:	$115.31

Entitlements:

Zoning: NC3-40
L-3

Summary: Development of this site would entail a complex assembly of parcels, and would need to address the split zoning code.

Parcel	SF	Value	Value/SF
Diamond Lot	5,456	$491,000	$89.99
606 Broadway	5,532	$737,500	$133.32
614 Broadway	5,607	$719,100	$128.25
609 10th Avenue	2,980	$513,000	$172.15
611 10th Avenue	2,980	$318,000	$106.71
615 10th Avenue	7,100	$456,000	$64.23
605 10th Avenue	1,680	$701,000	$417.26
910 E Mercer	4,231	$339,400	$80.22
618 Broadway	13,571	$1,222,300	$90.07
907 E Roy	8,850	$1,189,400	$134.40

SOURCE: City of Seattle DCLU and Gardner Johnson LLC

SITE FOUR:

Diamond Parking/Fortuna Sequitur/Jones Family

CONDOMINIUMS OVER COMMERCIAL

SITE FOUR: Diamond Parking/Fortuna Sequitur/Jones Family
CONDOMINIUMS OVER COMMERCIAL
SUMMARY INFORMATION

December 9, 2003

AREA SUMMARY:	
Parcel Size (SF)	57,987
Building Size (SF)	221,600
Efficiency Ratio (Residential)	85%
Saleable and Leasable Area (SF)	131,240
Units	128
Density (Units/Acre)	96.15

CONSTRUCTION LOAN ASSUMPTIONS:	
Construction Loan Amount	**$32,772,817**
Interest Rate	6.00%
Term (months)	18
Drawdown Factor	0.55
Construction Interest (Capitalized)	**$1,081,503**
Construction Loan Fee (%)	1.00%
Construction Loan Fee ($)	**$327,728**

INCOME SUMMARY:	Total SF	Average Price/SF	Gross Sales Income
Condominiums	108,800	$351.15	$38,205,000
			Gross Income
Rental Apartments	0	$0.00	$0
Office Space	0	$0.00	$0
Retail	22,440	$20.00	$448,800
Parking-Income	0	$0.00	$0
Vacancy/Collection			($33,660)
TOTAL	**22,440**	$18.50	**$415,140**

PERMANENT FINANCING ASSUMPTIONS:	DCR	LTV
Interest Rate	7.50%	7.50%
Term (Years)	30	30
Debt-Coverage Ratio	**1.20**	
Loan-to-Value		**80%**
Stabilized NOI (Year 2)	$414,736	$414,736
CAP Rate		8.00%
Supportable Mortgage	**$4,119,067**	**$4,147,361**
Annual Debt Service	**$345,613**	**$347,987**

COST SUMMARY:	Per SF		Total
Acquisition Cost	$30.17		$6,686,700
Direct Construction Cost	$103.10		22,848,000
Other Construction	$0.00		0
Soft Costs	$21.85		4,842,258
TOTAL	$155.13		**$34,376,958**

MEASURES OF RETURN:	
Indicated Value @ Stabilization	$5,184,201
Value/Cost	120%
Return on Investment (ROI)	7.4%
Return on Sales (ROS)	24.8%
Internal Rate of Return	19.3%
Modified Internal Rate of Return @ 8% Reinventment	17.3%

EQUITY ASSUMPTIONS:		
Total Development Cost		**$34,376,958**
(-) Loan		(4,119,067)
(-) Applied Condomium Revenue		(28,767,833)
Net Equity Required	4.3%	**$1,490,058**

ESTIMATION OF VIABILITY GAP	
Targeted Return on Sales	15.00%
Calculated ROS	24.84%
Calculated Gap-Condos	($2,829,692)
Targeted Return on Investment (ROI)	12.00%
Calculated ROI	7.4%
Calculated Gap-Income Components	$2,152,992
Overall Gap as % of Development Cost	-2.0%

SOURCE: Gardner Johnson LLC

SITE FOUR: Diamond Parking/Fortuna Sequitur/Jones Family

CONDOMINIUMS OVER COMMERCIAL

INCOME ASSUMPTIONS

FOR-SALE RESIDENTIAL PROGRAM						
	NO. OF UNITS	TOTAL SF	SALES PRICE/S.F.	PARKING SALES 1/	AVG PRICE/ UNIT	TOTAL INCOME
Floors 2-3	92	78,200	$300	$37,500	$292,500	$26,910,000
Floors 4-5	36	30,600	$325	$37,500	$313,750	$11,295,000
TOTAL	128	108,800	$307		$260,977	$38,205,000
RENTAL RESIDENTIAL PROGRAM						
	NO. OF UNITS	TOTAL SF	MONTH RENT/S.F.	AVERAGE RENT	MONTHLY INCOME	ANNUAL INCOME
Floors 2-3	0	0	$1.65	$0	$0	$0
Floors 4-5	0	0	$1.98	$0	$0	$0
TOTAL	0	0	$0.00		$0	$0
OFFICE						
	TOTAL SF	NET/ GROSS	LEASABLE SF		ANNUAL RENT/SF	ANNUAL INCOME
Floors 2-3	0	95%	0		$17.00	$0
Floors 4-5	0	85%	0		$17.00	$0
TOTAL	0		0		$0.00	$0
RETAIL						
	TOTAL SF	NET/ GROSS	LEASABLE SF		ANNUAL RENT/SF	ANNUAL INCOME
Retail-Ground Floor	26,400	85%	22,440		$20.00	$448,800
Retail-Second Floor	0	85%	0		$18.00	$0
TOTAL	**26,400**		**22,440**		**$20.00**	**$448,800**
PARKING						
	# OF SPACES		TOTAL SF		ANNUAL RENT/SF	ANNUAL INCOME
Condo Parking	192		67,200		$0.00	$0
Income Parking	0		0		$4.50	$0
TOTAL	192		**67,200**		**$0.00**	**$0**

SOURCE: Gardner Johnson LLC

SITE FOUR: Diamond Parking/Fortuna Sequitur/Jones Family

CONDOMINIUMS OVER COMMERCIAL

DEVELOPMENT COST ESTIMATE

	Area/ Basis	Unit	Cost	Total Cost
Acquisition Cost:				$6,686,700
Construction Costs:				
Seismic Upgrades			$0	
Residential Construction Costs	128,000	$ 110.00	$14,080,000	
Office Construction Costs	0	$ 100.00	$0	
Commercial Construction Costs (Ground Floor)	26,400	$ 100.00	2,640,000	
Parking Construction Costs	67,200	$ 75.00	5,040,000	
Contingency/General Conditions		5.0%	1,088,000	
TOTAL				$22,848,000
Pre-Development Consultants:				
Architecture/Engineering Studies		LS	$0	
Project Management		LS	100,000	
Market Study/Appraisal		LS	10,000	
Geotechnical Report		LS	5,000	
Environmental Studies		LS	3,000	
Traffic Study		LS	6,000	
Other		LS	5,000	
Subtotal				$129,000
Architecture & Engineering Fees:				
Architecture/Engineering/Interior Design		7.0%	$1,599,360	
Civil Engineering		LS	0	
Landscape Design		LS	5,000	
Geotechnical Inspections		LS	5,000	
Other Consultants		LS	5,000	
Construction Testing & Inspection		LS	5,000	
Consultant Reimbursables		LS	15,000	
Subtotal				$1,634,360
Development Fees & Administration:				
Developer Fee		5.0%	$1,142,400	
Construction Administration		LS	195,000	
Builder's Risk Insurance		LS	6,000	
Miscellaneous Costs		LS	5,000	
Soft Cost Contingency		LS	20,000	
Subtotal				$1,368,400
Building Permit Fee and System Charges:				
City Permit/Fee Allowance		LS	$210,076	
Subtotal				$210,076
Legal & Accounting Fees:				
Legal Fees		LS	$50,000	
Subtotal				$50,000
Construction Financing & Carrying Costs:				
Loan Fee		1.0%	$327,728	
Interest on Construction Loan			1,081,503	
Subtotal				$1,409,231
Permanant Financing Fees & Costs:				
Loan Fee		1.0%	$41,191	
Subtotal				$41,191
Total Soft Costs				$4,842,258
TOTAL DEVELOPMENT COSTS				$34,376,958
SOFT COSTS %				14.1%

SOURCE: Gardner Johnson LLC

SITE FOUR: Diamond Parking/Fortuna Sequitur/Jones Family
CONDOMINIUMS OVER COMMERCIAL
TEN-YEAR CASH FLOW

		Lease-up	*Stabilized*	YEAR							
		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10
Gross Scheduled Income/Residential		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Gross Scheduled Income/Office		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Gross Scheduled Income/Retail		448,800	462,264	476,132	490,416	505,128	520,282	535,891	551,967	568,526	585,582
Gross Scheduled Income/Parking		0	0	0	0	0	0	0	0	0	0
Miscellaneous Income		0	0	0	0	0	0	0	0	0	0
Vacancy & Collection Loss		(224,400)	(33,660)	(34,670)	(35,710)	(36,781)	(37,885)	(39,021)	(40,192)	(41,398)	(42,639)
EFFECTIVE GROSS INCOME		**$224,400**	**$428,604**	**$441,462**	**$454,706**	**$468,347**	**$482,398**	**$496,870**	**$511,776**	**$527,129**	**$542,943**
(-) Operating Expenses - Residential		0	0	0	0	0	0	0	0	0	0
(-) Operating Expenses - Commercial		(13,464)	(13,868)	(14,284)	(14,712)	(15,154)	(15,608)	(16,077)	(16,559)	(17,056)	(17,567)
NET OPERATING INCOME		**$210,936**	**$414,736**	**$427,178**	**$439,994**	**$453,193**	**$466,789**	**$480,793**	**$495,217**	**$510,073**	**$525,375**
(-) Annual Debt Service		0	(345,613)	(345,613)	(345,613)	(345,613)	(345,613)	(345,613)	(345,613)	(345,613)	(345,613)
CASH FLOW (PRE-TAX)		**$210,936**	**$69,123**	**$81,565**	**$94,380**	**$107,580**	**$121,176**	**$135,179**	**$149,603**	**$164,460**	**$179,762**
Total Developer Cash Flow		$210,936	$69,123	$81,565	$94,380	$107,580	$121,176	$135,179	$149,603	$164,460	$179,762
Return on Equity	$1,490,058	14.16%	4.64%	5.47%	6.33%	7.22%	8.13%	9.07%	10.04%	11.04%	12.06%
Present Value		$2,636,700	$5,184,201	$5,339,727	$5,499,919	$5,664,916	$5,834,864	$6,009,910	$6,190,207	$6,375,913	$6,567,191
Cap Rate	8.00%										
Primary Debt Coverage Ratio			1.20	1.24	1.27	1.31	1.35	1.39	1.43	1.48	1.52
Total Debt Coverage Ratio			1.20	1.24	1.27	1.31	1.35	1.39	1.43	1.48	1.52
Return on Investment (NOI/Cost)			1.2%	1.2%	1.3%	1.3%	1.4%	1.4%	1.4%	1.5%	1.5%

SOURCE: Gardner Johnson LLC

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